

CURRENT HISTORY

OCTOBER 1932

Norman Thomas: Socialist Crusader

By CLAUDE MOORE FUESS

[The study of Franklin D. Roosevelt which Mr. Fuess contributed to *CURRENT HISTORY* for August is now followed by an estimate of Norman Thomas, the Socialist candidate for President. Mr. Fuess, who is known primarily as one of our leading biographers, is a Republican in politics and was a delegate at this year's national convention of his party.]

ALTHOUGH Norman Thomas, as every one knows, is the Socialist candidate for President, his chances of election are probably negligible. Nevertheless, his personality commands attention, and his utterances over the radio have been reaching people who have hitherto regarded his party with scornful, even fearful, aversion. For many years, the word "Socialist" has held for the majority of Americans a sinister connotation, associated with bombs, riots and assassinations. But Mr. Thomas has somewhat changed all that. Even "hard-boiled" reactionaries mention him almost with affection, and he is seldom caricatured as a "bogy man." At some vacation resorts, in fact, it has been quite fashionable to say casually to one's partner at dinner, "Why, I may even vote for Norman

Thomas—just as a protest, you understand." Such sympathy was seldom shown by capitalists toward the late Eugene V. Debs.

Indeed, under Mr. Thomas's magic, socialism has grown respectable. He delivers scholarly lectures at college commencements and institutes of politics, and he has preached in the exclusive New York pulpit of Dr. Albert Parker Fitch. Perhaps the very fact that he has apparently so little chance makes his opponents generous. There may be a feeling among them that so long as he contents himself with writing and talking, he is an attractive fellow who can do no harm. Unless all omens fail, however, he will be given a large vote—a vote intended, on the part of many intelligent citizens, to voice their disgust with what they conceive to be the evasions and blunders of politicians.

Mr. Thomas is plainly no black-bearded, red-shirted anarchist breathing fire and imprecations against the government. He does not aim to spread his doctrines by threatening his adversaries with prompt physical dissolution. He does not propose to

Copyright, 1932, by The New York Times Company. All rights reserved.

fill manufacturers or monarchs with bullets. His spiritual kinship is with St. Francis of Assisi, with Tolstoy, and with Gandhi, the immaculate idealists of the race. He has, of course, his practical side. Theoretical though he is in many respects, he formulates plans for transforming his dreams into working realities. But he does not insist that wrecking a bank is an effective method of overthrowing capitalism. He is a visionary in the sense that, like William Godwin, he apparently believes that people can be led to see the light and, perceiving it, will be inspired to regulate their lives by its illumination. He is sure that ideas, provided they are sound, have a positive influence, in the long run, on human conduct. There has been some controversy in the *New Republic* between Mr. Matthew Josephson and Mr. Paul Blanshard as to whether Mr. Thomas is an "enraptured Socialist" or a "hard-headed realist." The fact is that, as the occasion demands, he can be either. His philosophy and his hope are far-reaching, but, like a sagacious opportunist, he does not ignore the necessities of the present.

In physical appearance Mr. Thomas is becoming increasingly familiar to his countrymen, for he is frequently before them on the platform. He looks like a cultivated aristocrat, with his high-domed head—not unlike that of John Galsworthy—his thin gray hair, his narrow nose and sensitive nostrils, his firm lips and thoughtful blue-gray eyes. He is tall and slender, slightly stooped in the shoulders, neat and conventional in attire, and dignified in his bearing. He belongs to the Woodrow Wilson type, depending more upon logic than upon emotions, and his manner is faintly academic. He would fit naturally into the atmosphere of an English house party with Balfour and Asquith. He is emphatically a gentleman. He has an ineradicable sense of humor with which he enlivens his arguments. About him

there is something magnetic. And he has a charming smile.

It should be understood that he is fully the peer of Mr. Hoover and Mr. Roosevelt in cultural antecedents. Mr. Thomas is no "forgotten man." He probably never wielded an axe, like Lincoln, or pitched hay, like Mr. Coolidge, and his hands are white and uncalloused. He is hardly aware through personal experience what it is to perform manual labor under economic compulsion. His career has been made with his brain, not with his body. This is not said in criticism, but in an effort to paint him as he is. Because of forces which began with remote ancestors, Mr. Thomas is an intellectual. Inherited orthodoxy has restrained him from rash projects and hysterical fanaticism. If, through some cataclysm, he should become President, he would behave in the White House like the well-born, well-bred aristocrat that he is. Although his family have had only modest resources, he has never known what it is to be without food or clothing or shelter, and he has had the best educational advantages which the United States affords. As a graduate of Princeton, he can meet Mr. Hoover from Stanford and Mr. Roosevelt from Harvard on even terms.

Norman Thomas, in his tendencies and traits of character, has been influenced by a long clerical tradition. One grandfather was a missionary; the other preached the gospel until beyond his eightieth year. His father, the Rev. Welling Evan Thomas, married Emma Mattoon, from whom the boy received a middle name which he has since discarded. His stock is a blend of the Celtic and Anglo-Saxon, untinged by Latin or Slavonic. Born on Nov. 20, 1884, he is by an ironic touch a native of Marion, Ohio, the home town of Warren Gamaliel Harding, whose newspaper, the *Daily Star*, Norman delivered from door to door, evidently without being perceptibly stimulated by its editorials in praise of Republican tenets. The household

in which the lad was brought up was permeated by unaffected devotion to a stern, Calvinistic creed, distinguished by hell fire and rigid dogma, which Mr. Thomas has delightfully portrayed in his essay, *Faith of My Fathers*. It was a home in which there was, as he says, "a non-material standard of values and certainly no sanctimonious hypocrisy." Thomas has long since emerged from this early Puritanism. "The return to it," he has written, "would be an impossible and by no means lovely way of escape from life and its problems."

Norman was sent to the customary public schools and later, after his father moved to another church in Lewisburg, Pa., the boy entered Bucknell College. Allured by Jesse Lynch Williams's tales of undergraduate life, he wanted to transfer to Princeton; and a well-to-do relative, discerning promise in the lanky, studious youngster, gave him money enough for three happy years in the institution where Woodrow Wilson was beginning to create so much commotion. There he was graduated in 1905. As his bent was for the ministry, he volunteered for work in the slum district of New York City, where he was surrounded by the bitterness of poverty. He entered Union Theological Seminary, was ordained in 1911 as a Presbyterian clergyman and seemed on the way to adding another worthy but relatively uneventful generation to a family the members of which had hitherto been devoted mainly to the placid salvation of souls. So far his career had been almost monotonously conventional. All over the United States, pious young college men with a similar background were treading the same path. There was no radicalism apparent in his principles. In 1908 he voted for Taft.

In the Autumn of 1910 Thomas married Frances Violet Stewart, by whom he has had five children who have been brought up in a normal way. For some months he was an assistant in New York's famous Brick

Presbyterian Church. He remained in the city as pastor of the East Harlem Church, where he served for seven years, during which he was thinking very hard and his basic religious and economic creed underwent many modifications. The World War broke out, and he discovered that he did not believe in war. He said so, and, becoming out of sympathy with his colleagues and parishioners, resigned his pulpit. Conscientious objectors were unpopular in 1917. Thomas's period as a clergyman was over.

Doubtless it required courage for Thomas to break so sharply with the past. He has never been accused of cowardice. When he had once made up his mind, he did not hesitate. He promptly joined the Socialist party and became an active crusader for its principles. A desire to put his new faith into words led him to found a monthly magazine, *The World Tomorrow*, which he edited until 1921. He contributed to the *New York Call* and worked for a year on the staff of the *Nation*. He helped to organize the American Civil Liberties Union and the League for Industrial Democracy, becoming director of the latter. In short, he devoted himself to spreading Socialist propaganda. The missionary instinct could not be eradicated.

More than once he fell into difficulties. He confesses that he has been arrested three times and has been twice in jail. In 1919, when the police at Passaic, N. J., turned off the electricity at a meeting of strikers in the textile mills, Thomas dramatically lighted a candle and, defying the constabulary, read the Constitution of the State to the gathering. Only a few months ago he was arrested for picketing with the Paterson silk mill strikers. Meanwhile, he has tried to educate a broader public through such books as *The Conscientious Objector in America*, *The Challenge of the War*, and *Is Conscience a Crime?* Such a man was certain to be brought into prominence in a party which badly needed clarion voices. In 1924 he stepped rather sud-

denly into politics by running as the Socialist nominee for Governor of New York State. Since then he has been, as he says, "a chronic office-seeker," always enthusiastic and always unsuccessful. He ran for Mayor of New York in 1925, for State Senator in 1926, for Alderman in 1927. Four years ago he received 267,420 votes for President of the United States. In 1929 he polled more than 175,000 votes for Mayor. Mr. Thomas has repeatedly gone forth to political battle and has never won. But he is sure that his hour is coming.

At the Socialist Convention in Milwaukee last May Mr. Thomas was nominated for President by a vote of 252 to 1, with James H. Maurer, for many years President of the Pennsylvania Federation of Labor, as his running mate. He is now in the thick of an active campaign, carried on by radio broadcasts and printed pamphlets, appealing especially to disaffected Republicans and Democrats. "Hoover's record," he says in one of his favorite sweeping generalizations, "is a record of mistake piled on mistake." Of the Democrats he declares: "The party which dares to take the name of Thomas Jefferson is in the South the party with the most outrageous racial discrimination, and in the North the party of the most flagrant corruption in our cities." Analyzing their respective platforms, he cries, "Plague on both your houses!" and calls for a relentless use of brush and broom.

Mr. Thomas has thus far been more vocal, as well as more consistent, than either Mr. Hoover or Mr. Roosevelt. His attitude toward politics and society, his underlying philosophy, have been expressed again and again until we can be in no doubt as to what his opinions are. So far as our country today is concerned, he surveys the prospect with disillusioned gloomy eyes. He sketches a picture of a strangely complex and floundering civilization, in which men of honest intentions become inadvertently the

tools of selfish organizers and few care for any group except their own; a highly individualistic community in which those in power are almost completely ruthless; a society in which thoughtful men cannot avoid pessimism for the immediate future, no matter how much they may long for some "far-off, divine event, toward which the whole creation moves." With superb evangelistic fervor, he assails our impregnable materialism and complains, "Our real temples are our banks and stock markets." We dwell, he says, in an age "when men profess brotherly love and teach a doctrine of nationalism." He is the foe of high tariffs, of subsidies and of all forms of special privilege. All the existing suffering, including the "standing army of the permanently unemployed," he attributes primarily to "our chaotic, unplanned profit system." In some moods, Mr. Thomas talks like Jeremiah or Thomas Hardy.

It is not easy to interpret another man's ideas and do him full justice. It is clear, however, that Mr. Thomas is a philosophical Socialist, who dislikes equally the two extremes of capitalism and communism. While striving by every legal means for civil and religious liberty, he deprecates any resort to force, for he is a thorough-going pacifist. The aim of socialism, to quote his own phrases, is "to hold up the vision of a classless society to the workers of the world, a society from which poverty and war are forever banished." He would do away with private profit by transferring the principal means of production from individual to governmental hands, permitting private occupancy of homes and tenure of gardens and farms, but abolishing all "absentee ownership" such as that represented by stocks and bonds. He would build up a genuine democracy of "the workers with hand and brain." It is obvious that Thomas is a pragmatist, who has realized the inapplicability of many of the Marxian doctrines to existing conditions in the United

States and has accordingly reconstructed them to meet a situation quite different in many respects from that which Marx confronted in the nineteenth century.

Mr. Thomas does not rely on "mere revolt" or "paper plans." His supporters are convinced that he has a program which can actually be put into operation and that his vision of a "socialized nation" can be realized through the "peaceful displacement of capitalism." Some of his critics within his own party feel that his original radicalism is growing lukewarm. His eulogists, on the other hand, insist that he is merely displaying a sagacious opportunism, preferring to achieve only part of his program rather than to try for everything and gain nothing. Mr. Thomas has not been in politics without learning a lesson from his experience.

Mr. Thomas is not so deluded as to think that the millennium can be reached by a single national upheaval. He is convinced that *laissez-faire* capitalism is so far undermined as to be ready to break down in a real crisis. But he also fears that our immediate dread is from a militant and despotic fascism. "There is," he says, "a ruthlessness and suspicion in America, and skeptical disbelief in political action, which given a few more years of bad economic conditions, will furnish a splendid field for an American Hitler to exploit." Mr. Thomas would deplore the rule of a Mussolini, even if it resulted in a temporary reign of order and prosperity. What he wants, as he phrases it, is "social salvation without catastrophe, and with a minimum of confusion and disorder." He is prepared to move slowly if only he can be sure that he is moving. He indulges in a "great hope," which he is confident will be realized even sooner than most of his disciples expect. His pessimism regarding the world in which we live is tempered by an optimism about the future.

At the present moment Mr.

Thomas's control over his party appears to an outsider to be that of a dictator. Most of its active members are manual workers, industrialists who would normally be critical of a leader with a clerical background. Yet, when a resolution was submitted at Milwaukee advocating confiscation of private property, Mr. Thomas took the floor and declaimed so forcibly that it was rejected. But those familiar with the Socialist councils are aware that Mr. Thomas does not and cannot always have his own way. He is undoubtedly the strongest man in his party, its most forceful leader, and its logical candidate for President. But within its ranks are men of all shades of radicalism from blush pink to a sanguine red. While they are in opposition, they are united in a sense by a common hatred. But there are many Socialists who do not accept his views and who will probably refuse to follow him beyond a certain point. Even today a conflict is raging about him among some of his followers, and his critics are not all among the capitalists.

Nobody can listen to Mr. Thomas's dispassionate voice or read his recent volume *As I See It* (New York: The Macmillan Company) without a conviction that he is to be trusted. Even those who disagree with his premises must admit his sincerity. The man is frank. He says what he means and means what he says. At the present moment Republicans and Democrats, absorbed in excoriating one another, are disposed to look with indifference, or at least with amiable condescension, on what Mr. Thomas is doing. Republicans read with elation his denunciation of Tammany, and Democrats from Georgia nod a casual approval to his attacks on President Hoover. So far, each party has been too busy with its own troubles to take Mr. Thomas very seriously. He does not look very dangerous.

But he is perhaps not so harmless as he seems to be. Some of the doc-

trines which he outlines at the dinner table in so quiet a manner are loaded with dynamite for long-established American institutions and policies. It is absurd to dismiss a leader of his ability without any effort to understand the transformations which he is planning for the society of which we are a part. Those who underestimate him may pay the penalty for their neglect. He does not resemble Isaiah, but he possesses some of the attributes of a prophet.

A few weeks ago, I listened on the shores of a New Hampshire lake to an exposition of Tory principles before an audience of thoughtful men and women. The speaker, evidently a "die-hard" reactionary of a fanatical type, condemned such measures as the graduated income tax, unemployment insurance, and old age pensions as perilously radical and laid stress on the necessity of a narrow nationalism and a policy of America for native Americans, especially those of Mayflower descent. His concern was mainly with finances, and he was, possibly unconsciously, making an appeal to class prejudices, trying to ally those who have with those who have not and confusing socialism with communism in a bewildering way. The lecturer, crisp in enunciation and fortified by the old catchwords, was like

one of the *ancien régime* in France before 1789, unaware of the maelstrom toward which he and his kind were being swept. So far as could be learned from his talk he was blind and deaf to human need. All he wanted was to reduce taxes.

It is against such doctrinaires who, like Walter de la Mare's "Old Jim Jay," have "got stuck fast in yesterday" that Norman Thomas's threat is directed. His creed is embodied in its essential phases in *The Man With the Hoe* of Edwin Markham. Instead of ignoring his comments on capitalistic society those of us who are not Socialists will do well to heed what he has to say. It may be that he can teach something to his opponents—something which may help them to avert catastrophe.

Paul Hutchinson has said recently that Mr. Thomas is "the best-informed, deepest-thinking, and most morally courageous political leader now playing a major rôle in our national life." This is probably excessive praise. But a political leader who stands on a platform declaring for the elimination of war, of poverty, and of social injustice cannot be regarded without respect, especially when he combines logic with eloquence and clarity with persuasiveness. It will not be astonishing if he polls 2,000,000 votes in November.

As the South Sees It

By JULIAN HARRIS

[In the following article Mr. Harris, in an unusually frank and racy manner, describes the attitude of the South toward current political and economic problems. A son of Joel Chandler Harris, he is one of the best-known Southern editors, though he has also worked on newspapers in New York and Paris. In 1925 he won the Pulitzer Prize "for the most disinterested and meritorious service" rendered by an American newspaper man, Mr. Harris is now on the staff of *The Atlanta Constitution*.]

ANY American who gives intelligent consideration to the problems which are part and parcel of the present economic stagnation is in a forlorn minority in his own section. Certainly this is true of the South, and it logically may be added that his views are not in harmony with those of his pew-fellows. For, despite its regional distinctiveness in matters social and cultural, the South possesses no clearly defined pattern of thought on questions of politics and economics. This situation may be attributed to the fact that the South's thinking is done against an agrarian background, while its present trend is toward industrialism. This circumstance provides a conflict which nullifies progressive thought.

In the South, however, there is a unity too often based on prejudice. Whether the South has more and stronger prejudices than other sections is a matter for conjecture. A person living in the mid-West or on the Pacific Slope might hold the opinion that his own section is as susceptible to uncontrolled prejudices as the South, but the unanimity is likely to be less since the West and West coast are neither homogeneous nor as bound by identical customs or traditions as the Southern States.

When race prejudice and religious bigotry blaze, the South acts in unison. In the matter of religious bias it is necessary to hark back only four years, when hundreds of thousands of Democrats, the large majority of whom will not vote a Republican ticket again, abandoned their party simply because Alfred E. Smith was a Catholic. Led by the infamous masked Klan and encouraged by overwrought pulpiteers, this hegira to the Hoover ranks was rationalized as a mass fear that the country suddenly would be filled with saloons if the Democratic nominee won. The thinness of this excuse for deserting the party was bared this past Summer when the Democratic Convention adopted a plank so wet that Smith's proposal in 1928 now resembles a feeble acquiescence which might have been dictated by the Anti-Saloon League. Further confirmation of the assertion that religion and not prohibition transformed Democrats temporarily into Republicans will be had on Nov. 8, when not one of the so-called Solid-South States which went for Hoover in 1928 will be carried by Republicans.

It would be futile to discuss in detail the race prejudice which exists in the South, but it requires mention because it is shifting its axis. The feeling of the majority of the whites, where the Negro is concerned, began in ante-bellum days and consisted of mingled prejudices. Among the slaves the field hands were well fed and well cared for, while those whites who were without property were often ragged and hungry. Those slaves whose duties kept them in or near the

"big house" on the plantation absorbed the opinions and manners of their masters and looked down on so-called "po' whites." Reconstruction days, readjustment days and then the battle for existence followed. Since those days the South has taken it for granted that the Negro is the inferior race.

The South lynches, but the lynchings are growing fewer, just as the causes or excuses for these indefensible murders are becoming more diverse. This is, as I have said, because of a shifting in the racial relations. This shifting has taken the cruel path of increasing economic rivalry, a status which, between nations, leads to senseless warfare. Justice is growing more color-blind, but if economic rivalry, sharpened by the failure of our widely advertised big business minds and excessively exploited Republican "poverty abolishers," does not make successful war against the present crisis eventually it may turn out that the attempts of the Black Shirts* to put whites in jobs held by blacks and the brutal assassination of Negro firemen in Mississippi were the sinister prelude to a recrudescence of jungle ways. Further evidence that the antagonism toward the Negro is taking an economic turn was provided when the majority of the weeklies and small dailies in the South did not attack Hoover for inviting six Negro politicians, men and women, to his acceptance speech tea party. When President Roosevelt, some twenty-five years ago, invited the most eminent Negro educator, Booker T. Washington, to take luncheon with him, the South roared its disapproval.

But if there is no marked congruity in the Southerner's thoughts on political and economic problems, the

South remains the most homogeneous section in the United States; and this homogeneity enables it more than any other part of the country to react as a section, although the unanimity of its reactions is less marked than before the Civil War and up to 1885 or 1890. Until forty years ago the *mores* of the South greatly influenced its attitude on political and economic questions as well as social and cultural affairs. Today, as Louis I. Jaffe, editor of the *Norfolk Virginian Pilot*, recently said, the South's attitude toward politico-economic problems is determined not regionally but occupationally. For example, the Southern farmers—I am quoting Mr. Jaffe—"harbor the same class resentments against Wall Street, protectionism and Federal centralization as are manifested by Western and Northern farmers, with the difference that the Southern farmer, being as a class poorer in education and therefore less armed with intellectual controls, is not so likely to think clearly about these objects of his resentment and more likely to parrot the judgments of the nearest accepted political prophet." And Mr. Jaffe is of the opinion that the farmer is no different from "the Southern masses, which are sheeplike" in their tendency to adopt the views of their political leaders.

That the South's distinctiveness is being dissipated by the spread of industrialism is the opinion also of Mark Ethridge, young associate editor of the Macon (Ga.) *Telegraph*. Mr. Ethridge believes there is as yet—though increasing—little more than a crevice between the industrial mind and the agricultural mind of the South, because the middle classes of the manufacturing cities came largely from agricultural communities; and that this agrarian heritage, however diffused, still conditions their thinking. Both Mr. Jaffe and Mr. Ethridge share the belief that

*An organization secretly founded in Atlanta in 1930 which functioned without a charter, authority to operate as an organization being denied by the courts. Its aims were to intimidate employers of Negro labor into discharging the colored workers and replacing them with whites.

the South's thinking is affected largely by its pietistic resistance to worldliness; and the latter inclines to the belief that a large proportion of the masses regards the present economic crisis, while of Republican origin, as something inevitable—God's will—and therefore to be accepted with a shrug of hopeless shoulders. This attitude is encouraged from the pulpit, where ministers too eloquently intimate that the depression is a blessing in disguise or the Lord's punishment for some vague sin or plain extravagance.

The Southern masses, it seems to me, are not very much different from those of other sections in desires and hopes and their reaction to prejudices, though it is true that their desires and hopes may be limited by their narrow environment and, often, by their lack of education or imagination, and their prejudices seem more intense. This, however, is true: the Southern masses have for so many years lived under the "Solid South" complex that they use it as a sort of shell into which they retreat. The defeat of the South, the brutality of the Reconstruction days, and the heart-breaking struggle to re-establish their section—all have combined to impress the South with a sense of isolation; and its subsequent success, despite the staggering burden put upon it, imbued the people of this region with a justified pride in their achievements. We still turn our eyes too often to the past and, having permitted our pride to become stiff-necked, have accepted our relative poverty and homogeneity as guerdons for keeping the faith.

Here, in space all too limited, is a mosaic of the mental processes and background of the Southern masses, which must be understood in order that the Southerner's reactions to present-day problems may receive a sympathetic reception. There is one situation which he does not control,

but which has had a hindering influence on his mental and spiritual development—a lack of leadership in the South today as contrasted with the honest, informed and courageous leadership which lasted for generations but ended shortly after the close of the Reconstruction period.

The Southern masses in the past always leaned heavily upon those wise and honest men whose eloquence charmed, and whose courage inspired their followers. In Georgia, the last of these leaders were Stephens, Toombs, Hill, Colquitt, Grady—yes, even the fiery Thomas E. Watson; although many of the steady Southerners think Watson led too seldom in the right direction. But Watson had courage and inspiration; and he won the faith of the masses.

The Southern masses find little to enlighten them when political discussions relate principally to personalities, but in at least one instance they have formed their own opinion. This reference is to the bonus payment proposed by Senator Patman of Texas. On this subject Southern thinking is not particularly influenced by the newspapers, which, in the main, have opposed the immediate payment proposal of vox populi politicians and their allies, political cowards.

Southerners, not directly interested in any money that would be mulcted from the government, think somewhat along the following lines: When the Confederate soldiers returned to their homes after more than four years of fighting and privation, they were in rags; what property they had was gone and the currency of their devastated country had no value. But the men of the South had valiantly served the Confederacy, and with stanch hearts they set about to re-establish their section. Did the soldiers of the South demand a bonus? Did they ever receive one? No! Instead, the Federal Government put on Southern soldiers a share of the burden of paying pensions to the victorious soldiers,

who returned to homes untouched by war. The South not only paid and is paying its share of Federal pensions, but as the uncomplaining, "non-bonus" Confederate soldiers sickened or became aged, the South added to its Federal pension burden a State pension for its war-worn but undaunted veterans. Therefore, the South is not particularly interested in the bonus-seekers, for it knows there are so many others, victims of Republican prosperity, whose penury is as pitiable and deserving of aid as the neediest among the war veterans.

The South, furthermore, save in that tragic lapse when it was emotionalized into aiding the Eighteenth-Amendment putsch, earnestly and honestly opposes Federal interference with rights of the State or of the individual. That being true, what does the South think of the so-called dole, as proposed in the Costigan-La Follette bill? Of the newspapers in the South, I feel sure that the majority oppose the dole. Doubtless the majority of politicians—ward, city, county and State—do not favor a dole, though many of them favor the bonus, or are silent; for the World War veterans are organized, while the equally hungry, unemployed non-veterans are not organized. It also is true that the South, after a fashion, has become inured to short rations. Its masses have never been submerged by any of the pre-Hoover prosperity waves. As a matter of fact, there are in the South many, many persons, both white and black, who even in good times are dependent on generous neighbors, so that an extra turn of the screw does not materially increase the pangs they already have felt. The tenant farmer must be carried along somehow; and it is to be doubted if, among the Negroes who ask for food, one in a hundred goes away empty-stomached. Certainly there is no recent record of a Negro starving in the South. Obviously, too, the unemployment situation in the South is

ameliorated by two important facts—first, its climatic conditions, and, second, the relatively small number of large cities. These two factors have kept the question of the dole largely within the bounds of rhetoric so far as the Southern masses are concerned.

It is an easy step from talk of the dole to the Federal Farm Board and its futile star-chamber efforts to stabilize prices. The South has no faith in the Federal Farm Board, and would like to see it abolished at the earliest convenience of the next President. When cotton was 17 cents, the Farm Board advised the South to hold it. Cotton dropped. The panic-stricken board immediately offered to lend money on it at a valuation of 16 cents a pound. What happened is history, too recent and too sad to repeat in detail.

As an example of Southern opinion, it is well to quote Raymond Brattain, a Mississippi planter, who testified last August at a hearing conducted in Memphis by the Shannon Congressional committee, which was endeavoring to discover if, and how, the government is competing with private business. Mr. Brattain vigorously attacked the entry of the Federal Farm Board into the cotton and wheat markets. He added: "Not 1 per cent of the farmers helped by the government are any better off than they would have been otherwise. * * * I oppose any form of government aid in production and selling." In New Orleans a few days later Walter Parker, of that city, told the Shannon committee, "there has never been, in the history of the world, a parallel to the Farm Board or its extravagant waste of money in a foolish, ill-starred and, from the start, hopeless attempt to reverse the economic wheels of the world."

Briefly, the Southern farmer believes that the Farm Board's activities have been injurious to the point of dis-

aster. The net gain of the farmer is the loss of an illusion concerning the effectiveness of government control. The boll weevil did a better job. Let me hasten to add that the Southern masses, the majority of whom are agrarians in their way of thinking, are not opposed to government regulation; they would have applauded the Farm Board if the price of cotton had gone up 50 per cent. The South wants to see increased regulation of business, and this sentiment is in line with that of all agrarian States. While the Southerner may applaud his favorite politician when the latter assails government supervision, at heart that listener desires no relaxation of Federal supervision—except where it appears to be against his own selfish interests. Which, after all, is human.

The tariff, although a tax, comes under the heading of government regulation in the mind of the masses. Undoubtedly the majority of Southerners believes in a relatively low tariff as a matter of sound public policy. Not many free traders are left, and the high-protectionist minority tends to increase. This, too, is the opinion of Grover Hall, editor of the *Montgomery (Ala.) Advertiser*, who says that the average man in the South is passive on this question because he is not sure on which side the South's bread is buttered. Ethridge, Macon editor, believes that while the South always made great pretenses about the tariff, it has always been inconsistent; that it will shout to the heavens about the iniquity of the Smoot-Hawley rates, but that the views of Senator Barkley are satisfying. In fine, the South wants certain rates for itself—on peanuts and their products; on cotton goods and oils which compete with cottonseed oil; on clay and lumber.

An interesting anomaly in the tariff bugaboo is that citrus fruits make Florida and California nearer

neighbors than are Florida and Georgia; Louisiana, with sugar cane, is next-door to Utah, Colorado and other beet-raising States; wool entices Texas into the Western orbit; Alabama and Tennessee adjoin Pennsylvania and Illinois with coal and iron; and Georgia and the Carolinas and the New England States are bound together by the textile industry. Log-rolling finds few obstacles in conditions as those just cited; and dissenters are an innocuous minority.

What of the Reconstruction Finance Corporation? The South believes that the Republicans put over a fast one, and that Senator Glass went out on a called third strike. The Southern masses believe that a "plutocratic Republican oligarchy" hoodwinked Congress and loaded the common people with new taxes in order to line the pockets of Wall Street, the Stock Exchange and stock and bond investors; and gave large funds at low interest rates to over-liquid banks, bloated insurance companies and mismanaged railroads. "And what about that secret loan of \$80,000,000 to Hell-an'-Maria? Yes, sir, the Southern taxpayer has been hit again by the Federal Government." The Southern masses believe just that, and their belief is confirmed when a youthful Georgia Governor, running for the United States Senate, tells them that they are being crushed by Federal taxes. An interesting but false picture, since North Carolina is the only Southern State that pays more to the Federal Government than it receives from it. Georgia, I believe, paid \$4,413,130.16 to the Federal Government in 1931, and that same year took \$8,079,038.21 out of Uncle Sam's till.

The South rails at Wall Street and that fascinating Sodom and Gomorrah of American cities, New York; and then plunges into the stock market and makes the metropolis its entertainment headquarters. The South assails the East and abuses its so-

called predatory methods, and after that does most of its buying in the marts of Manhattan. Shortly after the Civil War, Southerners made Baltimore their trading headquarters, but soon shifted to New York. The Southern masses detest and distrust Tammany, and many think it is a Catholic organization, but they remember from time to time that Tammany was the first to give aid and comfort to the people of the defeated section. Despite the apparent lack of common political interests between the South and the East there is a bond between the two sections which some one versed in folk-ways might discover. Years ago a noted Southern writer asserted that he found the people of Boston very much like those of Atlanta; and the fact that Rawsons, Boyntons, Coolidges, Atkinsons, Swifts, Kyles and Gordons are found alike in New England and Georgia seems to substantiate his statement. No, despite their bond of agrarian sentiment, the South and the West are not nearly so closely identified as the South and the East.

What of the South and prohibition? In simple truth, the South intended prohibition for the Negro only. Then it became a religious dogma. And, as church membership and attendance are cachets of value, socially and in business in the South, when the pulpit decided to add the control of customs and manners to its supervision of things spiritual and things moral, that settled temporarily the fate of intoxicating beverages. The rural sections are satisfied with prohibition, as it affects them but little. Many bootleggers find their best corn liquor on farms. But the South is fed up on political pulpiteers. The frenetic stage of bone-dry emotionalism is as dead as the ashes of yesterday. The trend here is definitely against prohibition, and the South would like to take its liquor and its religion straight once more.

If discontent, rightly directed, is

benign, then there is hope that in the next generation the South may witness a renaissance of real leadership. For there is in this section a minority opinion which no longer reverences the icons of tradition or the taboos against independent thought and action. In this minority group are a number of editors of newspapers—large and small—university graduates and college professors. There are few colleges in the United States more liberal or more enlightened than Emory University in Georgia and the University of North Carolina.

This minority group in the South believes hypocrisy and venality are the hall-marks of the present scheme of things. It believes that the methods of big business are based on greed and that the rugged individualism, vaunted by a two-car-garage President, collapsed in the face of a crisis and is now pleading to be held in the protecting arms of a paternalistic government. It is dispirited by the thought of 13,000,000 jobless persons being fed on platitudes.

And what of Congress! It is so spineless than even one of its most prominent members, Representative Tilson, of Massachusetts, assails its cowardice. And members of both the Senate and the House have been revealed as rendering inexcusably large expense accounts and grabbing unearned railroad mileage, while nepotism is their hobby. It is difficult to say which was more sinister, the subservience of Congressmen to the commands of predacious Grundyism or their terror when threatened by the prelates of prohibition.

This Southern minority believes that Coolidge egged on speculation with cheering platitudes of the "Don't-sell-America-short" type, and the misled sheep scampered back to the shearers. Hoover and Mellon accelerated the insane plunging, and then displayed the depth of their ignorance or their callousness by unfounded predictions

that the economic recovery would be immediate.

The Southern minority has been made cynical by the blundering vacillations of the present administration and the eagerness with which the public gives ear to bankers and manufacturers who have been unable to contribute a single idea which did not involve government aid for the rugged-individual boys. When the depression fire blazed, big business attempted to put it out with gasoline. First, the trouble was caused by overproduction, so hundreds of men were discharged; second, the trouble was underconsumption, and the nostrum used was the summary discharge of more workers and additional cuts in the wages or hours, or both, of those kept in their jobs.

The next step was to call on the frightened, salary-slashed workers to "contribute until it hurt" so that the Community Chests might care for the underconsuming victims of overproduction. Under such remedial schemes the purchasing power of the middle class continued to decrease while underconsumption flourished. Then the administration and the banks, which a few months before had insisted it was "stylish to be thrifty," urged the panic-stricken workers to "spend until it hurt," and accused them of hoarding, a crime in which financial institutions participated. There must have been a Jovian roar of laughter somewhere, but its sound was drowned by the sobs of despairing men and women, and the cries of hungry children.

Let me set down briefly a few of the opinions of this minority group in the South:

The Bonus—It thinks the "Cash Crusade" was an unfortunate mistake of despairing men, and Hoover's brutal handling of the situation was almost criminal. Why not force all lobbyists to live in tents on the outskirts of Washington?

Railroads—Lack of vision on the part of railway management led largely to the present railway collapse. The economic crisis emphasized it. In the early days the railroads fattened on government subsidies and indulged in every form of rebate. Despite the aggressive competition, they have shown no initiative in twenty-five years. They now must surely know how the stagecoach felt when the "iron horse" snorted past.

Shorter Work-Week—There is nothing radical in the proposal to have fewer hours and a shorter week. The movement had its first victory in England in 1802 when a factory act provided that children under 9 years of age could not be employed and those over that age should not be forced to work more than twelve hours a day. Employers bitterly fought this reduction in working hours. Twenty years later—in 1822—agitation for shorter hours began in America and the industrialists opposed every effort of the workers to modify the "sunrise-to-sunset" rule. It was a hundred years before the eight-hour day finally was established. The present movement for fewer hours and a shorter week is likely to succeed more rapidly, for it will help get industry out of its abyss.

Tariff—It is not only a concealed tax which amounts to a subsidy to manufacturers, but the present schedules have contributed largely to the depression in the United States. Assertion that the tariff is the bulwark of the American scale of living is a half-truth. If labor were not organized it would get not even the small share it may now receive from such monumental tariff-grabbing concerns as Mellon's aluminum trust. The inadequate wages received by unorganized mill workers in the South reveals the truth of the foregoing assertion. Meanwhile, there were 1,236 American branch plants abroad in 1929. From 1928 to 1931 there were 270

American plants built in Canada and Europe. The farmers, crushed by the tariff, could not go abroad even at the reduced rates offered by steamship lines.

The Dole—The unemployed and hungry World War veterans are no more entitled to a bonus payment now than are the other suffering unemployed. But if a nation can send men to the front line to lose their lives, should not all civilians be kept alive and well fed until they are called to arms?

Foreign Debts—Despite all the political eloquence against cancellation or reduction—oratory for re-election purposes—it is obvious that there will be reduction or cancellation on terms which may benefit the whole world.

World Court—The minority group in the South favors the acceptance of the World Court with the reservations agreed on.

World Peace and Disarmament—Both are regarded as essential to future world progress.

Russia—There is every reason why Russia should be recognized. The Hoover Administration recognized a new government in a South American State within forty-eight hours of the overthrow of the old. The newly recognized government collapsed in less than a week. Soviet Russia's government has proved more stable than that of either Italy or Spain.

Public Utilities—Their grip on the public must be broken and holding companies dehydrated. Until those things are accomplished the pillage of the innocent investor will begin again and the consumer will continue to pay unjustly high rates.

Banks—More rigid control to prevent high financiers from forcing worthless securities on the banks of the country to peddle to innocent investors. Depositors must be more fully protected and banks prevented from giving aid to speculative orgies which create a specious prosperity.

Briefly, the Southern minority opinion is liberal. It is not frightened by the over-used Red-Communist scare, because it knows that while industrial workers strike, they not only do not make revolutions but have no national coherence, even at the polls. It is the agrarian who is the real revolutionist. His history is one of change and innovation in party and cooperative schemes. Witness the Greenback party, the Granger movement, the Farmers' Alliance, Populism, the Farmer-Labor movement and the Non-Partisan League. It should not be forgotten that America was an agrarian country in the Revolutionary period and that the fighting rebels of the Civil War came from farms.

What saddens the minority group in the South is to see men like Dr. Nicholas Murray Butler, Senator Borah and William Allen White take definite stands and then apparently turn tail and flee. In 1928 William Allen White bitterly opposed the nomination of Hoover, and characterized him as resembling a "nice fat capon." Then he enthusiastically supported the Hoover-Curtis ticket. Borah took a courageous stand on prohibition and the question of debts. But he does nothing to help prevent the election of the man whose policies are anathema to him. Dr. Butler, actually one of the best minds and most courageous spirits in America, is frank and outspoken in opposition to Republican policies. And then his revolt simmers down and he is silent again until after the election.

Perhaps the minority group, like the little girl who went to school for the first time, expects too much to happen at once. When the child returned home from the first day's lessons, her mother asked her what she had learned. "Nothing, I guess, mother; I've got to go back tomorrow."

"Tomorrow, and tomorrow; and—tomorrow!"

America's Far Eastern Diplomacy

By TYLER DENNETT

Professor of International Relations, Princeton University

Two of the simplest and most widely accepted rules for the practice of diplomacy are: (1) Avoid the use of such words as "never" and "always"; and (2) Do not be in a hurry. That is why diplomacy is rarely dramatic—or popular. Avoiding the statement of abstract principles, and avoiding also the precise definition of objectives, diplomacy usually makes little appeal to the popular imagination. The famous Stimson note to Japan of Jan. 7, 1932, was dramatic, and popular, because it ignored at least one of these rules and was a declaration, in addition, of general principles.

The American Government, that note said (see *CURRENT HISTORY*, February, 1932, page 755), "cannot admit" the legality of "any" situation in the Far East which "impairs" the sovereignty, independence, territorial or administrative integrity of China, or the Open Door. Furthermore, the United States "does not intend" to recognize "any" situation brought about by means contrary to the Pact of Paris. The words "never" and "always" are implied.

That these statements on behalf of the American people were generally popular not only in the United States but also in Europe is a matter of common knowledge. They were received as were the Hay Open Door notes of Sept. 6, 1899—another statement of general principles which, as elaborated the following year, in the circular of July 3, 1900, violated the two elementary rules of diplomacy referred to above.

As in the case of the Hay note, so with the Stimson declaration, foreign

offices were reluctant to commit themselves to such sweeping affirmations. Nevertheless, on March 11, 1932, after Secretary Stimson had prodded the powers by publicly restating his thesis to Senator Borah (see text in *CURRENT HISTORY*, April, 1932, pages 58-60), fifty nations at Geneva, constituting the Assembly of the League of Nations, declared "that it is incumbent upon members of the League of Nations not to recognize any situation, treaty or agreement, which may be brought about by means contrary to the covenant of the League of Nations or the Pact of Paris."

This resolution was, perhaps, not quite as binding for the members of the League as the Stimson note for the United States, but in using such words as "it is incumbent upon members of the League" it was more positive than any engagement John Hay was ever able to secure in reply to his notes. The resolution is even more definite in its assent to general principles than any acceptance President Wilson was ever able to secure for the famous "Fourteen Points"—another departure from the accepted principles for the practice of diplomacy which was dramatic and popular, but which now appears to have been hasty and not half so inclusive as the words at the moment seemed to indicate.

The Stimson address of Aug. 8, 1932 (for full text see *CURRENT HISTORY*, September, 1932, pages 760-764), delivered almost two months before the presentation of the Lytton report and recommendations to the

League, reaffirmed the declaration of Jan. 7, and went one step further in disregard of an accepted axiom of diplomacy. The American Secretary of State entered upon what has hitherto been a somewhat academic discussion of the status of neutrality in international law, under the Pact of Paris. He subscribed substantially to an opinion, much debated in the universities in the last three years, that neutrality in a war between signatories of the Pact of Paris disappears. He declared:

"War between nations was renounced by the signatories of the Briand-Kellogg Treaty. This means that it has become illegal throughout practically the entire world. It is no longer to be the source and subject of rights [that is, the legal rights and duties of neutrals toward belligerents, and of belligerents toward neutrals]. It is no longer to be the principle around which the duties, the conduct, and the rights of nations revolve. It is an illegal thing."

In a conflict between two States where one or both have signed and then violated the Pact of Paris, said Mr. Stimson in substance, all other signatories have the right, the legal right (perhaps, in equal degree the duty), to intervene. In the case of Japan in Manchuria the intervention has been thus far purely moral, and verbal. "We denounce them as law-breakers," declared the Secretary without expressly naming Japan. But if Mr. Stimson's legal interpretation is sound thus far, it is equally good for military intervention in the Far East, provided only that a signatory of the Kellogg Pact feels assured that there has been a resort to other than pacific means for the settlement of an international dispute.

It does not necessarily follow that because the American Government has in this instance discarded the diplomat's rules o' thumb it has abandoned statesmanship, but it does indi-

cate that American policy in the Far East is now cut loose from many conservative precedents and is sailing a sea which is largely uncharted. The American people are being presented with an inescapable issue which may, in time, require a more momentous decision than any made since the United States entered the World War.

To Secretary Stimson's address of Aug. 8 Count Yasuya Uchida, the Japanese Foreign Minister, on Aug. 25 made a carefully considered reply in the Imperial Diet. (For full text see pages 126-128 of this magazine.) Count Uchida's address had, in fact, a triple objective. It was an explanation to the Japanese as to why their government had not already recognized Manchukuo. It gave notice to the League of Nations that Japan would not tolerate interference in Manchuria, whatever might be the nature of the Lytton report. It was also clearly a response to Secretary Stimson's address. Count Uchida promised the Japanese Diet "the early extension of formal recognition" to Manchukuo, and defended the proposed measure as "the only means of stabilizing conditions in Manchuria and of establishing conditions of permanent peace in the Far East." Anticipating the Lytton report, Count Uchida observed that "in certain quarters a plan is being considered to reach a solution by patching up matters for a moment by investing China in one form or another with authority over Manchuria. * * * The people of Japan can never consent to a solution of that kind." The intervention in Manchuria, he declared, was "imperative," and there was "no alternative other than to resort to measures of self-defense." By inference Count Uchida swept aside all other proposed measures for the solution of the Manchurian question as "sentimental propositions and abstract theories."

On Sept. 2 the Japanese Foreign Office officially fixed Sept. 15 as the day on which the new State of Manchukuo was to receive recognition

from Japan. The treaty of alliance, which is to be signed by the two governments and to constitute recognition, will not be filed with the League, to whose approval Japan appears indifferent.

Count Uchida did not stop with a declaration of Manchurian policy. In China "the anti-foreign, especially anti-Japanese, movement continues unabated." He predicted, without qualification, "further complications are likely to arise in the foreign relations of China" and closed his address by an indirect revival of the old Okuma theme of an Asiatic Monroe Doctrine under which "Japan, Manchukuo and China, as the three independent powers closely linked together by the bond of cultural and racial affinities, will come to cooperate hand in hand for the maintenance and advancement of peace and prosperity of the Far East as well as for the peace of the world and civilization of mankind." This hint of a future policy is mentioned because it serves to bring out the fact that the fundamental issue between Japan and the West is that of conflicting cultures and civilizations.

"Japan cannot close her eyes to any disturbances breaking out in any part of Eastern Asia, for dispeace cannot be permitted to exist side by side with the fundamental spirit of the Japanese Empire," declares General Sadao Araki, the Japanese Minister of War and architect of the recent Japanese policy in Manchuria, in *Kaikosha* (the Japanese Army Club magazine). "It is therefore expected of every Japanese that he be ready both spiritually and materially to take his part in the duty of restoring peace even through resort to arms." Evidently General Araki has little or no use for the covenant of the League or for the Pact of Paris as they may affect Eastern Asia; and as for the Nine-Power Treaty and the Washington Conference, in which naval superiority in the Pacific was yielded to Japan, the Minister of War is speaking for a very

substantial group of Japanese, who would be glad to dismiss the obligations assumed if not the benefits received in 1922.

"Our policy is already fixed," declared Kaku Mori, formerly chief secretary of the late Seikyukai Cabinet, in an incendiary statement which the censor had to mutilate. "It must be remembered that Japan will sooner or later come into collision with those who oppose her policy. The government will not be found unprepared"—here the censor cut the stenographic record.

It will be recalled that Count Ishii, famous for the Lansing-Ishii agreement of 1917, in which the American Government stopped just short of acquiescing in an Asiatic Monroe Doctrine, in his address of welcome to American Ambassador Joseph C. Grew, on June 21, 1932, issued the warning that if the United States "ever attempted to prevent Japan's natural expansion, then a grave situation indeed would be created."

It must be perfectly evident that Japan is not bluffing. She feels that the powers, led by the American Government, are gradually closing in on her and that in the near future she may find herself with her back to the wall. In such a contingency she is prepared to fight. The departure of the Lytton commission from Tokyo in July was followed by Japanese military excursions into Jehol, with the intimation that a major expedition might come after the harvest. Japan presumably intends to make Jehol definitely a part of the new Manchukuo. There have been provocative military demonstrations recently in Shanghai, Peiping, Tientsin and elsewhere. In imperious tones Japan has renewed her protest to China over the revival of the boycott. General Araki, acknowledged to be the most powerful man in Japan today, has already cast his eyes beyond Manchuria into Mongolia. "There is every possibility," he declared in the article referred to

above, "that Mongolia may prove a greater barrier to the way of Japan's mission of peace and order than Manchuria has ever been."

Nor is Mr. Stimson bluffing. Encouraged by the fact that the Democratic as well as the Republican platform contains approving paragraphs for the Pact of Paris and favors consultation among the signatories when the Pact is threatened, the Secretary of State evidently feels that he has behind him a fairly united public opinion which demands that wars shall cease and that the nations disarm. For the time being, at least, the question of the Open Door drops into the background. The American Government is making an appeal to the aroused moral sentiment of the world. Karl Radek would doubtless say that economic considerations have been not dropped but merely draped with some more pious phrases. That the question of trade and foreign markets is bound to reappear there can be no doubt. Reports from Manchukuo already indicate that the door for foreign trade other than Japanese is hardly more open than it is in Korea. The door will stand open facing a long corridor, namely, Japan, through which trade must pass before it enters very widely into Manchukuo. The Japanese Government is disclaiming responsibility for the action of the Japanese advisers in the puppet State. It will be difficult for Mr. Stimson or his successors in office to go behind such disclaimers so long as the United States chooses to ignore the Changchun Government.

But for the moment the economic question is out of the picture. President Hoover and Secretary Stimson have claimed the leadership of the pacifists of the world and evidently are bidding for a sufficient support to carry through a purely pacifist policy of non-recognition until Japan, bleeding to death in Eastern Asia or starving to death in Tokyo, yields to the coercion of moral forces. It is

very much like the Wilson policy toward Germany save that, as yet, there is no hint of the use of any material force to bring pressure to bear upon the Japanese Junkers.

Many have been puzzled to understand why the Japanese military have felt themselves so secure in this persistent defiance of the combined force of the League and American opinion. Some have sought to find the answer in the assumption that from Great Britain, France and Italy the Japanese leaders have had some assurances that in the show-down the American Government cannot expect from the great powers the unwavering support without which the Stimson policy must certainly fail.

In Great Britain liberal opinion appears to accept the American leadership, but it is equally clear that conservative opinion does not accept it. Whatever Mr. MacDonald may have said to Mr. Hoover at Rapidan, it remains to be seen whether the former could carry his present Cabinet with him in support of any policy which would permanently alienate Great Britain's old ally in the Far East.

Italy, in the long run, may have more to gain from the precedent of the American than of the Japanese policy, but Premier Mussolini is surely an unstable reed for Mr. Stimson to depend upon to support a precedent that national self-defense is to be interpreted as narrowly as the American Government now contends it should be.

As for France, she depends upon Japan to hold the Eastern front against the Soviet Union, and certainly her immediate national interests will not be served by the creation of a strong Chinese republic. If the latter is to come it is likely to find its patterns of policy and organization less in France than in Russia, which France so much fears. France would find it difficult to support a policy which would result in the weakening of

the League by the withdrawal of Japan.

No doubt the Japanese leaders are well aware that in London, Rome and Paris they have not yet lost the approval of very substantial friends. At the same time nothing has yet appeared to indicate that the powers in the League are actually engaged in double-dealing with the United States on the one hand and with Japan on the other.

The inherent strength of the Japanese policy lies not in secret agreements with European powers, but rather in the essentially negative character of the American policy. The United States desires peace, but peace is a condition, not a remedy. Peace—this may seem shocking to many pacifists—is, or may be, without moral quality of any sort. It may be merely a condition enveloping an international situation which, in turn, may be either right or wrong or a little of both.

The Japanese have put forward a remedy for a disorder which was perhaps worse than any which the American Government has ever faced in all its political history, though probably the situation in Manchuria was not as bad as the Japanese have tried to make it appear. Not the slightest evidence has yet been produced that Japan in Manchuria in September, 1931, was like a householder who suddenly wakes in the middle of the night to find a pistol aimed at his head. If the Lytton commission fails to make this point clear it will forfeit some of the confidence which, as this is written, is reposed in it. There should be no whitewashing of the Japanese military.

On the other hand, what is the remedy for the brutal, stupid, thieving Chinese war-lord who lacks even the tradition and the ideal of love of country? The restoration of the *status quo ante* is no remedy, and Mr. Stimson has proposed no other measure. An international conference such as the one held in Washington in 1921-22, which evaded this very issue, is cer-

tainly not promising. It all simmers down to the question of whether the members of the League or the interested powers are prepared to go into Manchuria, drive Japan out and do the job which Japan has undertaken.

Thus is disclosed the fundamental weakness of all peace machinery for the Far East. Modern world organization is being developed from the analogy of the internal political organization of present-day States—law, courts, administrators. The analogy is weak all along the line, but when it comes to administrators it disappears completely. Modern civilization has not developed, does not even now contemplate, an administrative agency which can carry out in Manchuria or in China the remedies which Japan may demand with as much propriety as Great Britain did in Egypt, France in Algiers or the United States in Cuba, Mexico, the Caribbean or Central America. And, as has been abundantly demonstrated, the Chinese Government cannot effect the necessary reforms.

The Chinese junk of state is almost as much in default to international society as is the Japanese War Office. It is rotten to the core. When the Washington conference was in session ten years ago the Chinese Government was merely a straw man created for the occasion in Washington and set up at the table to fill an otherwise vacant chair. The Chinese Government today is no better; it is a fortuitous concourse of unrelated atoms which changes from week to week.

As this is being written the Lytton report is not yet published, but immediately after the return of the commission from Manchuria on June 5, Lord Lytton is reported to have given a public hint as to the form of the report. He is alleged to have said: "As a result of our report and recommendations the League will probably say to the parties concerned,

Von Schleicher at Germany's Helm

By LUDWIG LORE

NOT since the exciting days when Kaiser Wilhelm fled before impending catastrophe has Germany presented to the world a situation so fraught with possibilities as that which today taxes the powers of the shrewdest political interpreters. Will the von Papen Government attempt the impossible by trying to rule with a Reichstag in which it controls less than 10 per cent of the votes? Has it the courage to face the incalculable consequences that lie in wait, if it should decide to govern with emergency decrees, leaving the Reichstag once more to mark time on the sidelines? Will it dissolve Parliament and risk a new election, knowing that popular support for its policies will be as much out of the question then as it is now? Or will it take the last step to a complete dictatorship of the military caste, relying on the great popular appeal of the Hindenburg tradition to smother what may remain of public resentment? The answer depends on the will of the man who is the brain of the present government, Germany's "Man of Mystery"—Lieut. Gen. Kurt von Schleicher.

This man is not a new figure in German politics. Since 1920 he has been the connecting link between the army and the government. Ministers have come and gone; army chiefs have ruled briefly and disappeared; but von Schleicher has always remained the irreplaceable expert in Germany's inner politics. Never was there an absolutist police minister more thoroughly informed concerning all things. He is acquainted with every figure of consequence in the nation's politics and knows how to handle

them all, from the old-time Conservative and the military monarchist to the Social Democratic Reichstag Deputy who may become a power tomorrow. No man in Germany has friendlier personal relations. This enigma of European politics, this "Iron Man of Germany," is the petted darling of the social world, with scores of enthusiastic admirers and few intimate friends. His marriage two years ago was an event of first magnitude. He has that first essential of the successful politician, an instinctive grasp of human psychology, that irresistible something that makes for quick contacts. He is known for his amiable sense of humor and for his lack of personal vanity. He has political opponents, but few personal enemies, for he has never sought the limelight, but has left to others the satisfaction that lies in popular acclaim and public recognition.

Kurt von Schleicher was born in Brandenburg on April 7, 1882. He received the strictly military education of a young nobleman in a cadet institute and in 1900 entered the army, where he was assigned to the infantry regiment of Field Marshal von Hindenburg and became intimately acquainted with the latter's son. His advance was rapid. In 1913 he was made junior officer of the General Quartermaster's staff. In this capacity, with the exception of a few months in 1917 on the front in Galicia, he served during the entire war. Here Groener, after succeeding Ludendorff, found him and appointed him to his personal staff. In fact, until Groener's retirement a few months ago, most of von Schleicher's

military career was spent in the older officer's immediate environment.

General von Schleicher's activity is bound up with the history of post-war Germany to a degree that makes it impossible to describe one without the other. Looking back over the developments of the last thirteen years in the revealing light of the present, we can see, like a red line through a confusion of cross-purposes, the clear-sighted, tenacious efforts of this Reichswehr head, slowly replacing the existing, uncertain democratic government with a strong, conservative, central authority.

When the German Republic was born, a direct secret wire led from the Imperial Chancellery in the Wilhelmstrasse to the Supreme Army Command at Spa. Over this wire Prince Max telephoned his demand for the Kaiser's abdication. Over the same wire, a few weeks later, Friedrich Ebert, as People's Commissar of the revolutionary government, discussed military measures against the Spartacists with General Groener. Thus was the tradition of the monarchy continued in the republic. It lay in Ebert's hand to break with it. Here Germany's tragedy begins. This secret wire is of symbolic significance. It bound Ebert and his colleagues to the representatives of the powers that had been and severed the ties between the workers' republic and the revolutionary masses. In his book *Vom Kaiserheer zum Reichsheer* General Maerker, commander of the first volunteer Freikorps regiment in the young republic, tells of Ebert's gratification over the return of organized soldiery to Berlin. "He struck Scheidemann encouragingly on the shoulder as he watched our troops march by. 'All will yet be well,' he said reassuringly."

It was during this eventful period that Kurt von Schleicher came to the fore. He had been sent from General Headquarters on Dec. 9, 1918, exactly

a month after the outbreak of the revolution, to confer with General von Lequis, Freikorps commander in Berlin, with instructions that in all doubtful cases the orders of the General Staff were to take precedence over those of the People's Commissars. To Ebert he went with the message that von Hindenburg and Groener were determined, unless the Commissars definitely disassociated themselves from the domination of the Soldiers and Workers' Councils and threw off the tyranny of Liebknecht and his friends, to draw the inevitable conclusion and to take up the fight on their own behalf. General Headquarters demanded that no quarter be given to Spartacist rebels and that the immediate execution of civilians bearing arms be ordered and carried out without mercy.

On Dec. 20 von Schleicher again came to Berlin, this time in the company of General Groener, to place the Freikorps at the disposal of the government in its attempt to dissolve the Centralrat—the central executive body of the Berlin Workers' Councils. The history of the Freikorps and their rôle in the revolution has yet to be written. Organized by professional military men of the old monarchist army, and made up of soldiers returning from the front—youngsters of the type Remarque so poignantly describes in his book, *The Road Back*—who knew no life but that of soldiering, these volunteer groups were a source of constant irritation and dissatisfaction to the General Staff. They served when and where and how they pleased. The Kapp putsch of 1920, for instance, was the direct outcome of an attempt by the government to dissolve the Ehrhardt brigade for its flagrant counter-revolutionary activity. Only a general strike of the workers saved the young republic from annihilation.

Discouraged by their lack of power, von Hindenburg and Groener were ready at the end of 1919 to let things

take their course, in the hope that internecine strife would put a speedy end to the republic. But here they met with determined opposition from von Schleicher, who was supported by von Lequis and by von Seeckt, who had just returned from Turkey. Von Schleicher insisted that the solution lay not in disbandment, but in the coordination of the existing military units and their organization under a single authoritative head. It was not difficult to convince the government, worn out by strikes and uprisings, of the wisdom of such a course. On June 3, 1919, during the Weimar Constitutional Convention, a decree was issued ordering the establishment of what was to become the Reichswehr and inviting the officers of the old army and of the Freikorps to join.

Von Schleicher was appointed secretary of the Reichswehr Ministry under Reinhardt, the first Defense Minister of the German Republic. Under his direction the new Reichswehr became a replica of the monarchist army, control resting in the hands of its military leaders. The influence of the civilian authorities was negligible. When Ebert—after the Hitler-Kahr episode—asked von Seeckt, "And the Reichswehr, General? Does it stand with the government or with Bavaria?" he was answered, "The Reichswehr stands with me, Mr. President." Never was the truth more baldly spoken.

It was only natural that the influence of the military machine should grow to even greater proportions under the von Hindenburg régime. Lieut. Gen. von Schleicher became the central figure of an extremely active and increasingly powerful military camarilla. His influence extended in every direction. The ex-Crown Prince is a regular visitor at his residence and von Schleicher is in constant, intimate contact with the entire Hohenzollern family. He feels equally at home in the company of the wealthy

post-war bourgeoisie and, moreover, as recently published correspondence between himself and the Social Democratic Deputy Schoepflin shows, is hail-fellow-well-met among representatives of the Left.

In the Spring of 1929, at von Schleicher's suggestion, a new office—that of Chief of the Reichswehr Ministry—was created, and to this post he was appointed. In this capacity he superintended the political, the judicial and the defense divisions of the Ministry and was chief of personnel. It was the purpose of this new office to relieve the army and navy heads from unnecessary participation in parliamentary sessions, but the constant contact with the Reichstag and its leaders, the intimate acquaintance of its political ramifications and the daily verbal reports to the President of the Reich that this post entailed gave von Schleicher extraordinary influence.

Dr. Walther Schotte, one of the founders of the feudal Herrenklub, to which the leading figures of the present Cabinet belong, shows in his recently published *The Papen-Schleicher-Gayl Cabinet* to what extent this influence determined the course of German events. He tells of the clever manoeuvres by which von Schleicher elbowed the Social Democratic Chancellor Mueller out of office, how, at the perplexed question of President von Hindenburg—as he faced this unexpected situation—"Who could be considered for the Chancellorship?" it developed that General von Schleicher, without the knowledge of either von Hindenburg or Mueller, had already held numerous conferences with Dr. Bruening with a view to proposing him for that office.

The appointment of the Bruening Cabinet, purged as it was of Socialist elements, still further solidified von Schleicher's position in the Reich Government. His demands for recognition of the military camarilla he rep-

resented became more and more important. For it he urged the inclusion of members of the "National Opposition"—the Nazis and Hugenberg Nationalists—in the government, a step that Bruening hesitated to take, fearing its influence on the outcome of the approaching Lausanne conference. The dissolution of the Hitlerite Sturmabteilungen by Groener, whom Bruening, to von Schleicher's great resentment, had won over to his point of view, precipitated a new governmental crisis. Groener resigned and von Schleicher surveyed the field for Bruening's successor. He found the man in von Papen, and Bruening's resignation became a mere formality.

"The extraordinary historical responsibility of General von Schleicher," says Dr. Schotte, "cannot be overemphasized! Unless it is taken into consideration, one cannot hope to understand the background of this period. * * * He is one of the few outstanding personalities of our time who have had the courage of their responsibilities." Von Schleicher's sense of "responsibility" at times borders on arrogance. Dr. Bruening was scheduled to deliver a public speech in Frankfurt-on-Main during the last Presidential campaign in April. The Reichswehr chief demanded that he be given a copy of the speech before it was delivered, so that he might change it as he thought fit. That he could make such a demand and, above all, that the highest official in the German Government actually submitted a résumé of his contemplated address for censorship, throws new light on the German Republic and reveals characteristic indications of a growing militaristic dictatorship.

Von Schleicher's negotiations with the Nazi leaders during this period are a matter of public record. Hitler, Roehm, Strasser, Goehring and Frick were invited to frequent conferences at von Schleicher's home, where they were also brought together with the

ex-Crown Prince and other members of the Hohenzollern family and their Junker following. With the coming of the von Papen Government, these negotiations assumed a more business-like aspect. The ban on the Sturmabteilungen was lifted, the Nazi demand for the immediate dissolution of the Reichstag and a new election was granted, and the Socialist-Centrist-Coalition Government in Prussia was forcibly ejected by the Reich and replaced with a nationalist dictatorship. With the exception of Gustav Noske, the Social Democratic Oberpresident of Hanover, every Socialist and Democratic government official of higher rank was dismissed or pensioned off and the vacated offices filled by Nationalist Conservatives. In return, the Nazis adopted a policy of toleration toward the von Papen Cabinet.

But the Reichstag election, instead of promoting an understanding between the government and the Hitlerites, produced an entirely new situation. The failure of the latter to gain an absolute majority strengthened the hand of the Junker militarists, whose economic interests are in many respects opposed to those of the middle-class Nazis. In their first stages these negotiations between the two groups were conducted by von Schleicher, submitted for formal approval to von Papen and finally sanctioned by von Hindenburg. It is doubtful whether General von Schleicher himself has decided on the road his government is to travel. That it will turn sharply against the Left, masking its determination to inaugurate a military dictatorship under the cloak of paternalistic democracy, is already evident. All indications point to an understanding between National Socialists and Centrists—the German Fascists because the mass of their followers demand immediate results and the Catholic Centrists out of fear of Protestant Junker domination—both in Prussia and in the Reich. In the Reichstag

as well as in the Prussian Diet such a coalition would make possible a constitutional majority government.

Von Papen and von Schleicher are frankly disdainful of parliamentary rule. They regard democracy as a failure and attribute to its vacillations the economic downfall that has overtaken Germany. On the other hand, they are acutely conscious of the fact that an open break with the Reichstag may be dangerous. Nor have their protestations for a super-party government deceived the public, which realizes that they represent a reincarnation of the old monarchist Conservative party.

In its international relations the present government has even more strongly emphasized its militaristic aims. In his radio speeches, interviews and official notes von Schleicher has left no doubt as to his determination to rebuild Germany's old military machine. In a communiqué addressed to the French, British and Italian Governments he has demanded arms equality for Germany. He already speaks of conscription, of a modernization of all branches of the service and of the fortification of Germany's French, Belgian and Polish borders. There should be no difficulty in arriving at an agreement with the Nazis on this program were it not for the division of power.

The question thus resolves itself into a struggle between two would-be dictators, Adolf Hitler and Kurt von Schleicher, the former supported by a party machine 1,000,000 strong and an army of Brown Shirts of 500,000 men which has more than once demonstrated its ruthless will to win, the latter backed by the forces of government, police and soldiery, by the prestige of its President and by centuries of tradition. In this battle for supremacy Hitler will find von Schleicher no mean opponent. His is the face of a hard-hitting realist, a man who knows neither sentiment nor

scruples, a man who, trained in the school of German militarism, knows no higher ideal than obedience to the State and duty to its sovereign. He is above all a soldier, with a soldier's love for order and discipline and a soldier's desire for centralization and unity of purpose.

To men like von Schleicher the German Republic has been an unmitigated catastrophe. He has seen it humiliated before the nations of the world, has seen government after government go down under the burden of intolerable reparations payments. An aristocrat to the core, he resented the "pampering" of the masses with social services and unemployment insurance by a bankrupt nation. To his conservative narrowness the new liberalism that expressed itself in modern art and customs, its freedom from old religious and emotional ties, were all evidence of a national degeneracy that must and should be checked if the nation is to survive. Mentally he still lives in the age of Bismarck, in the spirit of its barracks. In his eyes it is the divine right of the ruler to suppress adverse opinion that, according to his lights, may threaten the integrity of the State, and to command complete and unquestioning service from each and every member of the national community.

The conservatives of old Germany owed much of their power to the fact that they were astute realists who knew the importance of a concession at the right moment. Von Schleicher is doubtlessly one of the most intelligent and far-sighted of this class, a man whose past is proof of his ability to judge a situation at its true value and to rate his own power without emotion. It is not at all impossible, therefore, that, behind the present imperious attitude of his government toward the Nazis, negotiations are being carried on which may eventually result in a von Schleicher-Hitler coalition.

Did the Federal Reserve Play Politics?

By J. M. DAIGER

[The following article is based in part on hitherto unpublished facts regarding important decisions and events on which only few persons were informed at the time of their occurrence. The author, who spent twelve years as public relations counsel to banks and investment houses, has written on banking and financial subjects for several American periodicals.]

THE failure of the Federal Reserve System to avert the 1929 stock-market panic, according to a theory that has lately been accepted both in the United States and abroad, had its roots in the 1928 Presidential campaign. The Federal Reserve authorities, we are told, were induced to prolong the Coolidge bull market until Mr. Hoover was securely in the White House. To accomplish this they fostered an inflation of credit in 1927-28. When they sought to "correct the situation" by their public warning and so-called direct-action policy in 1929, they found speculative credit beyond effectual control by the central banking mechanism. They had waited too long. The political blight was fatal.

Curiously enough, this theory was not put forward until after a lapse of four years, when another Presidential campaign was at hand. It did not, however, emanate from partisan sources, but as the interpretation of events of the period by disinterested publicists, notably Walter Lippmann in this country and Lieut. Commander J. M. Kenworthy in England. Their political charges seriously impugn the integrity of men in high public office and in the privately owned Federal Reserve Banks.

Writing in CURRENT HISTORY for

May, 1932, Commander Kenworthy asserted that the American stock-market boom "was recognized as dangerous by the governors of the Federal Reserve Banks and other financial leaders." They desired, he continued, "to check this boom in 1927," but did not do so because "there was a Presidential election coming in 1928, and tremendous pressure was brought to bear on the Federal Reserve Banks to do nothing, in the interests of the Republican party, to check the prosperity wave." He made substantially the same statements in an article in the June issue of the *Nineteenth Century* (London).

Mr. Lippmann gave a more circumstantial account in the *Redbook Magazine* for June, 1931. "At the end of 1927," he said, "nearly two years before the panic, it had become clear to the leading bankers that the country was building a house of cards upon a foundation of quicksand." It was then "still possible for strong leadership of the American banking system to arrest the speculation," but the leadership "had to come from the Federal Reserve Board in Washington." "The board," he added, "never put the brakes on hard. The reason is plain. It is a political board. In 1928 the country was to have a Presidential election, and any important move to stop speculation was bound to slow down business. The board did not have the courage to do that. The party in power was making great capital out of the apparent prosperity, and the board, which cannot help listening to the administration, did not dare to

wake the country out of its dream of endless fantastic profits. So the board refused to let the Federal Reserve Banks take the steps they desired to take to arrest the speculation. It evaded the proposals of the bankers and refused to act on the recommendation of its own Advisory Council."

Support for these political charges has come from within the Reserve System itself. Addressing the Minneapolis chapter of the American Institute of Banking a few months ago, Dr. Walter Lichtenstein, executive secretary of the First National Bank of Chicago and, for the last seven years, secretary of the Federal Advisory Council, said: "The fact is that the Federal Reserve Board did create an easy money market in 1927. * * * Whether or not their action in 1927 was correct, the Federal Reserve authorities certainly did not reverse the movement quickly enough. * * * They allowed money conditions to grow ever easier here [United States], possibly with an eye to the fact that a Presidential election was impending in 1928."

It is evident, in retrospect, that the huge credit-easing operations of the Reserve System in the Summer and Autumn of 1927 gave the decisive impetus to speculative boom. It must therefore be conceded that, if Mr. Hoover could not have been elected in 1928 except by this vigorous fillip to speculation—a doubtful hypothesis—Federal Reserve policy was the decisive factor in the fortunes of the Republican party and its candidate. But the policy was not determined or influenced by political considerations, as is proved by decisions and events about which the public has been only partially informed or not informed at all.

Before these events are related, two flagrant errors of the critics should be disposed of. First, it is a matter of common knowledge that in 1927 "the leading bankers" were not issuing warnings or otherwise manifesting

great alarm in the manner referred to by Commander Kenworthy and Mr. Lippmann. On the contrary, virtually the whole banking community in 1927 and 1928 and well into 1929 was voicing a sanguine optimism. This received unmistakable confirmation in the security loans and investments of their institutions.

The only specific warning mentioned by any of the critics is what Mr. Lippmann calls the "historic statement" of the late Paul M. Warburg; but this was made on March 7, 1929—four months after Mr. Hoover's election, three days after his inauguration, and one month after the belated warning broadcast by the Federal Reserve Board. Of the Reserve System's operations throughout 1927, Mr. Warburg said in 1928 that they did "equal credit to the strength of that system and to the sagacity and courage of its administration." The state of business and finance in January, 1928, caused him to "enter the new year with cheer and confidence."

As with bankers' warnings that were non-existent in 1927, so with the refusal of the Federal Reserve Board to sanction a credit-restriction measure to which Mr. Lippmann refers. This was the much-discussed discount-rate policy proposed by the Federal Reserve Bank of New York after the Federal Reserve Board had issued its warning and initiated the policy of "direct pressure" on member banks to reduce their speculative security loans. The "plain reason" for the board's refusal to sanction the New York proposal, the principle of which was first opposed and then supported by the Federal Advisory Council, was not that there was to be an election in 1928. The proposal was first made on Feb. 14, 1929, and was repeated intermittently until May 23—a period ranging from three to six months after Mr. Hoover's election. Furthermore, the board's decision in this instance was not given under administration leadership, but under that of

Dr. Adolph C. Miller, one of the original and continuous members of the board, who was the author of its public warning and the proponent of the direct-action policy. Secretary Mellon, ex-officio chairman of the board, Governor Roy A. Young and Vice Governor Edmund Platt, all Republicans, voted to approve the discount-rate increases applied for by the New York bank. The decision against approval was given by Dr. Miller, former Governor Charles S. Hamlin and George R. James, all Democrats, and Controller of the Currency John W. Pole and the late Edward H. Cunningham, Republicans.

The momentous operations of 1927 originated in a serious monetary stringency in Europe. The year had opened with the largest flow of gold to the United States for any month in three years, and the movement continued on a considerable scale for several months. When, in addition to this, the Bank of France suddenly began in the Spring to accumulate gold in large amounts, the countries that had recently returned to a gold basis, particularly Great Britain, were placed under a severe strain. Among Continental countries the strain was heaviest in Germany, and the Reichsbank seized it as the occasion for abruptly curbing the great speculation that had been going on in that country for more than a year. One result was the "Black Friday," May 13, on the Berlin Boerse.

These and other developments led to a series of consultations among central bank executives in Europe, and then to a simultaneous and unprecedented visit to the United States by representatives of the three largest European central banks. Dr. Charles Rist and Dr. Paul Ricard, deputy governor and chief economist, respectively, of the Bank of France, arrived in New York on June 28; Montagu C. Norman, governor of the Bank of England, and Dr. Hjalmar Schacht, president of the Reichsbank, traveling together, arrived on July 1.

Benjamin Strong, who was governor of the Federal Reserve Bank of New York from its organization in 1914 to his death in 1928, was at this period universally recognized as the dominant figure in the Federal Reserve System. Daniel R. Crissinger, a lawyer-banker-farmer of Marion, Ohio, was then governor of the Federal Reserve Board, to which President Harding had appointed him; but he was completely overshadowed by the vigorous personality of Governor Strong. The latter had for several years directed his efforts largely to the development of Federal Reserve post-war policy, with particular reference to hastening the return of world monetary stabilization. Under his leadership the twelve reserve banks co-operated with a number of central banks abroad in providing credits to various countries as they returned to a gold basis. The prospect of a tightening of credit throughout Europe in 1927 threatened defeat of this whole international movement, with an early abandonment of the gold standard by Great Britain as one of the most serious possibilities.

The visit of the European bankers, to whom Governor Strong was host, was given an air of informality and its real purpose kept a close secret. Candid publicity would only have precipitated the crisis that the visitors hoped to avert through American co-operation. Most of the "conversations"—the word "conference" was scrupulously avoided—were held at the Long Island estates of Ogden Mills and Mrs. Ruth Pratt and at the New York bank. The American participants were officers and directors of the New York bank and members of the Open-Market Investment Committee—the "policy committee" of the reserve banks—of which Governor Strong was chairman. Out of these conversations came the project of a great credit-easing operation by the Federal Reserve Banks as an alternative to a tightening of credit by the

Bank of England and other central banks abroad. It was designed to arrest the flow of gold from Europe and, if possible, to induce a return flow from the United States.

With this project tentatively and informally decided on as a basis for further consideration by the Open-Market Investment Committee, the visitors went to Washington on Thursday, July 7, for "calls of courtesy" on the members of the Federal Reserve Board. They were entertained at a luncheon party by Governor Crissinger, but contrary to contemporary press-dispatches, which purported to reveal the discussion of important matters, the gathering was given over to table talk and to brief addresses of mutual good-will. The essential purpose of the visit to New York was not broached at the luncheon, nor was it discussed with the Federal Reserve Board, either before or after. It appears to have been communicated in advance to Governor Crissinger, but if this was done its import evidently escaped him. There were, however, three private conversations—one between Dr. Miller and Dr. Schacht, one between Dr. Miller and Dr. Rist, and one between Dr. Miller and Governor Norman, who were joined by Governor Strong, Dr. Schacht and Dr. Rist.

Dr. Miller has indicated that Dr. Schacht "stood somewhat apart" from the others. He wanted "a true money-rate in the world's leading market"—New York—so that money would not "spill into Germany from the outside and thus neutralize his efforts at internal regulation and control." Dr. Miller, too, opposed artificial intervention in the gold movements. He rejected the theory that there was a maldistribution of gold, and held that an effort to rearrange gold levels in other countries by cheapening credit in the United States would have only apparent and temporary advantages and might, among other things, unduly encourage speculation. Governor Norman and Governor Strong argued

that the positive advantages, particularly the maintenance of the gold standard, were compelling and conclusive. Defeat of the widespread efforts at monetary stabilization, setting back European recovery indefinitely, would have demoralizing repercussions on American business and finance, and most of all on American agriculture.

The Washington visit was a matter of only a few hours. The visitors returned to New York on an afternoon train, Governor Crissinger, on Governor Strong's suggestion, accompanying them. When Governor Crissinger returned to Washington, he reported the tenor of the concluding discussions—which, of course, involved no formal agreement—to the Federal Reserve Board.

Dr. Miller, before going on his vacation, left with the board on July 11 a memorandum opposing a general easing of credit by either of the usual methods. If it was undertaken anyhow, he argued, it should be by the lowering of the discount rate alone, because this involved "the minimum of hazard of stimulation of securities activity such as I believe will almost certainly follow from the putting of money into the money market through open-market purchases of [government] securities by Federal Reserve Banks." He urged that in any event the board defer action until the middle of September, when there would be a meeting of the Federal Advisory Council.

Meanwhile a decided business decline had begun in the United States. There was more than a seasonal decrease in trade and employment; steel production was off materially; car loadings had dropped; commodity prices were "very low." The bond market, clogged with undigested new issues, was depressed by a series of "unpegging" operations by various underwriting houses. In June the stock market had what was currently described as a "violent liquidation" and

"collapse." In only one important industry, agriculture, was production likely to be greater than the year before. But over the all-important grain and cotton exports hung the cloud of adverse European exchanges.

On July 27 the Open-Market Investment Committee met at Washington and recommended to the board and the Reserve Banks that the system immediately adopt a credit-easing program. It advised employing both open-market operations to enlarge the basis of credit and a reduction of the discount rate from 4 per cent to $3\frac{1}{2}$ per cent to effect a general lowering of interest rates. The committee consisted of Governor Strong and four other Reserve Bank governors—the late W. P. G. Harding of Boston, George W. Norris of Philadelphia, E. R. Fancher of Cleveland and James B. McDougal of Chicago. Other Reserve Bank governors also attended the meeting, among them Roy A. Young, then of the Minneapolis bank, and the late W. J. Bailey of the Kansas City bank.

"The foreign situation," the confidential report of the committee stated, "is very critical at the moment." While recognizing that the policy they advocated might encourage speculation in securities, they held that it was more important to business in general that the financing of the domestic crop-movement be facilitated, that the European exchanges be strengthened to foster American agricultural exports and that further gold imports into the United States be prevented. These objectives attained, the policy could be reversed if speculation became extensive.

The same day Dr. Miller learned that this meeting was being held, and renewed his objections in a telegram from Lake Louise, Canada. He referred in it to "indications of firming commodity prices and of active trade following augmented crops this Autumn," and said that "cheapened [credit] policy might give unhealthy stimulus." Against these possibilities,

however, were the tangible developments here and abroad and the recommendation of the operating heads of the Reserve Banks. All the members of the board then in Washington—Crissinger, Hamlin, James, Cunningham and Controller of the Currency Joseph W. McIntosh—promptly voted their approval of the credit-easing proposals. Mr. Cunningham was skeptical of the open-market operations but positive in his support of the lower discount rates. Secretary Mellon and Mr. Platt, who were abroad when this vote was taken, approved of all the operations under it that occurred after their return. Dr. Miller was thus alone in his dissent.

On July 29 the lowering of the discount rate began—not, however, in New York, but in Kansas City. Thus a policy that was international in its origin, and both foreign and domestic in its purpose, was given the appearance of being exclusively domestic and primarily agricultural. This was accentuated when, a week later, on Aug. 4, the St. Louis bank followed the action of Kansas City. A reduction in the Eastern money-centres was therefore logical. New York and Boston acted on Aug. 5, Cleveland on Aug. 6. In the next week, on Aug. 12, 13 and 16, the banks at Dallas, Atlanta and Richmond followed in turn. Then came the celebrated incident at Chicago, when, by an unprecedented order of the Federal Reserve Board, the Reserve Bank there was required to put the $3\frac{1}{2}$ per cent rate into effect on Sept. 7 "to conform to system policy."

Actually the Chicago incident was an echo of the conference of Reserve Bank governors at Washington on July 27. Though unanimous in their approval of the credit-easing policy, some of the governors had expressed the view that "local conditions in some of the interior Reserve districts do not indicate any demand for rate reductions in those districts." The directors of the Chicago bank met to con-

sider the proposed reduction on Sept. 2. They voted, for reasons never communicated to the Federal Reserve Board, to continue the 4 per cent rate. The receipt by the board of the usual code telegram that meant simply "rate continued" provoked an indignant protest in the board's meeting, which was expressed by the four members from the interior districts—Cunningham and McIntosh of the Chicago district, James of the St. Louis district, and Crissinger of the Cleveland district. They regarded the proposed continuation of the 4 per cent rate in Chicago as calculated to impose higher interest charges on country banks and agricultural and business borrowers in the Chicago district than in surrounding districts.

The decision of the Chicago bank was promptly voted "not approved," although Mr. Hamlin and Mr. Platt strongly dissented. Governor Crissinger, by long-distance telephone, notified William A. Heath, chairman of the Federal Reserve Bank of Chicago and the Federal Reserve agent there, that he would be permitted to continue the 4 per cent rate only through Tuesday, Sept. 6, on which date he must reconvene his directors for further action.

On Tuesday Dr. Miller arrived in Washington and immediately aligned himself with the two dissenters. On Tuesday Secretary Mellon, who had just returned from Europe, learned of the Chicago situation through reports that had reached the New York Reserve Bank. He communicated to Governor Crissinger his disapproval of mandatory action by the board and asked that any decision be deferred until he reached Washington. Later in the day Governor Crissinger was notified by the Chicago bank that a quorum could not be secured there until Friday, but that in the circumstances the bank would probably then vote the $3\frac{1}{2}$ per cent rate.

Between the pointed comment of some of the minority on this occasion, the "obstinacy" of the Chicago direc-

tors, and the "interference" of Secretary Mellon, Governor Crissinger's jealousy of his authority and zeal to demonstrate it were now thoroughly aroused. If he waited until the Secretary of the Treasury arrived, a motion to enforce the $3\frac{1}{2}$ per cent rate in Chicago would be lost by a tie vote. A meeting was thereupon convened, Secretary Mellon's message was not communicated to it, and by a four to three vote the Chicago bank was ordered to put the $3\frac{1}{2}$ per cent rate into effect at the opening of business on the following morning. Within the next few days President Coolidge returned to Washington from the Black Hills of South Dakota, and on Sept. 15 Secretary Mellon promptly confirmed a rumor that Governor Crissinger had resigned. The appointment of his successor, Governor Young of the Minneapolis bank, was announced by the President on Sept. 21.

Meanwhile, the system-wide reduction of the discount rate had been completed by the action of the Philadelphia, San Francisco and Minneapolis banks on Sept. 8, 10 and 13. In addition, the pumping of new funds into the member banks by the Reserve Banks was well under way. On July 27, when the credit-easing policy was adopted, the "system investment account" stood at \$266,000,000. This was carried to a peak of \$427,000,000 by the middle of December. More than half the increase, however, was effected in the first thirty days of the operations, and the balance was largely used to offset gold exports. In other words, during the months of the crop movement and the business recession, and of the large exports of gold that began in September, the system's open-market purchases of \$161,000,000 provided the basis of member-bank credit to more than ten times that figure.

The results of the combination of lower discount rates and open-market purchases justified the predictions made during the discussions in July. Foreign exchange rates were im-

proved; funds were attracted to London and other foreign money centers; foreign bond flotations were encouraged; the gold standard was maintained in all the countries that had returned to it and was restored in still others; gold movements to and from the United States were changed from net imports to net exports; domestic interest rates were reduced; the agricultural situation was improved; a firmer level of commodity prices was established; industrial production was increased; wholesale and retail trade was increased, and speculation was stimulated.

As soon as it became clear that the tide of business had definitely turned upward, the Federal Reserve Banks, through Governor Strong's committee and with the approval of the Federal Reserve Board, inaugurated a "firming" money policy. The first move, early in November, was to diminish the volume of open-market purchases in relation to gold exports; the next month the offsetting of the gold exports was discontinued altogether. Late in December another event of importance occurred within the system. Its most forceful leader, Governor Strong, who had gone to London for a conference on Italian monetary stabilization, returned very ill. From then until his death on Oct. 16, 1928, he had but little part in Reserve System affairs. During the months that intervened, Owen D. Young, the vice chairman of the New York bank, and Jackson E. Reynolds, president of the First National Bank of New York—both of them, incidentally, prominent Democrats—became the most influential factors in Federal Reserve councils in New York.

For the year 1927 as a whole the main trend of business was downward. Corporate net incomes, for example, fell from \$7,621,000,000 in 1925 and \$7,504,000,000 in 1926 to \$6,510,000,000 in 1927. In the stock market, on the other hand, the main trend was upward; brokers' loans rose more or

less steadily from \$3,100,000,000 in January, 1927, to \$4,400,000,000 in 1928. The notorious "loans for others," which impaired Federal Reserve policy more than any other single development, increased in 1927 to more than \$1,000,000,000.

The first week of the new year brought an unintended challenge to Federal Reserve policy from the White House. The Associated Press sent out a brief but sensational dispatch that read as follows: "WASHINGTON, Jan. 6.—President Coolidge is of the opinion that the record-breaking increase in brokers' loans held by Federal Reserve member banks is not large enough to cause any unfavorable comment." When the President authorized the statement he was unaware of the policy that the Federal Reserve authorities had quietly inaugurated a few weeks earlier. Apparently he learned over night of the privately voiced resentment that his presumption had evoked in some of the Reserve Banks and in the Federal Reserve Board, because on the following day he explained at some length that he simply meant that there was "a natural expansion of business in the securities market," and that he was "not attempting to qualify as an expert on the Federal Reserve System."

The system, however, promptly showed its divergence from the President's view of the activity in securities. It began at once to sell government securities in the open market as fast as the market would take them. In five weeks it unloaded approximately as many as it had bought during the five months of credit-easing operations in 1927. The discount policy was also changed. On Jan. 25 the Chicago bank restored the 4 per cent rate, and was followed by Richmond on Jan. 27, by New York on Feb. 3, by San Francisco on Feb. 4, by Minneapolis on Feb. 7 and by Boston and Dallas on Feb. 8. By the end of the month all the other banks had taken the same action. In addition, the

banks advanced their buying rates for bankers' acceptances.

Despite these moves and huge uncompensated gold exports that were still going on, the effect on the stock market was unimportant. Again, therefore, the Reserve banks sold Government securities. In the course of March, April and May they duplicated the operations of January and February. By the end of May the holdings that had risen from \$266,000,000 in the previous July to \$427,000,000 in December were down to the relatively nominal sum of \$82,000,000. That device was exhausted. Another advance in the discount rate, to $4\frac{1}{2}$ per cent, was initiated in Chicago and Boston on April 20 and followed by all the other banks. In July still another advance, to 5 per cent, occurred in Chicago and was followed by all the banks except Minneapolis, Kansas City, Dallas and San Francisco. Further advances were also made during these periods in the buying rates for bankers' bills, until at the end of July they ranged from $4\frac{1}{2}$ to 5 per cent, as compared with 3 to $3\frac{3}{4}$ per cent at the beginning of the year.

The concern of the system then was whether, in its efforts to check the flow of credit into the stock market, it was not imposing an undue interest burden on industry, commerce and agriculture. Business, by all the accredited criteria, was entitled to more favorable borrowing rates than those generally prevailing, the chief practical effect of which was to give extraordinarily large profits to the member banks. This concern was one of the principal subjects of discussion at a meeting in Washington of the Federal Advisory Council during what its confidential report described as "this time of high money rates." The president of the council at the time was Frank O. Wetmore, chairman of the First National Bank of Chicago, and Walter Lichtenstein of the same bank was secretary. The members of the council, polled on the business

situation, advised the board that it was "generally good and on a sound basis."

But even before this the Federal Reserve Banks and the Federal Reserve Board were defeated in the credit race against the speculative frenzy. The market was out of control. The stock-exchange fraternity and its millions of followers had disregarded the largest and most rapid reversal of credit policy in the history of central banking. That reversal might have begun earlier, it might have been carried on more rapidly; but there is no Einstein of economics and sociology to calculate what the flow of speculative billions and the working of the mass mind would have been if a date, a decimal, or a discount-rate fraction had been altered here or there. The die was cast on July 27, 1927, when the credit-easing policy was adopted. The timing and momentum of system operations thereafter represented the composite judgment of the 128 men who controlled Federal Reserve activities—the twelve Reserve Bank governors, the 108 Reserve Bank directors and the eight members of the Federal Reserve Board.

To argue that Republican politics was the explanation of this is, of course, but an easy rationalization of complex decisions and events—decisions and events for which there were no precedents. It is to substitute political imagination for knowledge of essential facts. Federal Reserve policy in 1927-28 had the active and earnest support of veterans of the system who had served during the Wilson Administration as well as during the Harding and Coolidge Administrations. Both in the Reserve Banks and in the Reserve Board the formulation and execution of the policy was as much the work of Democrats as of Republicans. Their being Democrats or Republicans had no more part in the decisions of the latter than of the former. If they failed, they failed together.

Mussolini's Ten Years of Power

By WILLIAM MARTIN

[October of this year marks the tenth anniversary of Mussolini's rise to power in Italy. The following article by the editor of the *Journal de Geneve* attempts to assess the personality and work of Il Duce at the end of a decade of power. As a prominent resident of Geneva, Mr. Martin has had the opportunity to know many of the outstanding public figures of Europe, among them Mussolini and his former Foreign Secretary, Dino Grandi.]

THE career of the Italian dictator, Benito Mussolini, is one of the most colorful and amazing in modern times. It begins in the village of Predappio, near Forli, where, the son of an illiterate blacksmith, he was born in 1883; it has carried him through various phases of the Italian Socialist movement into the World War; and today he sits in the Palazzo di Venezia in Rome directing the destinies of a great nation, while the eyes of the world are fixed upon him.

Probably the most decisive moment in Mussolini's life was when in his youth he took an examination for an appointment as schoolmaster at Forli. That represented the height of his ambition, and he was deeply disappointed when a formality caused his failure. What would have been the history of Italy and modern Europe if Benito Mussolini had been appointed schoolmaster at Forli? Perhaps his desire for power would have been satisfied by the opportunity to rule the children in his classroom. But today Mussolini would be unknown.

After his failure time hung heavy on his hands. His father's friends, wishing to help him, made him editor of a small local Socialist paper. Here he became so notorious because of

his advanced opinions that he was forced to flee to Switzerland. When he returned to Italy, a marked man because of his persecution and exile, he became the managing editor of *Avanti*, the famous Socialist paper of Milan. But just then the war broke out and Mussolini, always eager for action, parted from his Socialist friends, who were opposed to Italy's participation in the conflict. He knew then, shrewdly enough, that if socialism was ever to have an opportunity to put its principles into practice it would be through war and the shock it would give to capitalism. But his war speeches soon brought him new contacts. He became less and less the internationalist and more and more the patriot. He fought with distinction in the trenches, and after the armistice he reappeared at the head of a powerful new party which had little in common with socialism and which opposed everything that he had formerly advocated.

When the war ended Italy was filled with idle men—former army officers and unemployed workingmen who in other days would have emigrated to the United States, but who were now forced by American immigration laws to stay at home. All those who sought a place in the sun—or anywhere else—enlisted under the banner of Mussolini; and it was at the head of this proletarian army of the unemployed that he marched on Rome in the Autumn of 1922. This was no march of conquest—it followed an appeal from the King. Yet, as a result of it, Mussolini found himself a dictator, and this year he celebrates what is unusual with most

dictators—the tenth year of his reign.

To the outside observer Mussolini's career is full of contradictions—he has been internationalist, then nationalist; Socialist, then dictator; an advocate of the people's welfare, then a reactionary. Mussolini seems to have worshiped all political idols, professed all faiths. Even during the past decade it is not difficult to find in him many inconsistencies of word and deed. More than slight variations of mood appear in his thunderous praise of machine guns and rifles and his policy of disarmament, in his bellicose speech at Florence on May 17, 1930, and his peace message to America on Jan. 1, 1931.

But through the mazes of this brilliant, varied career there runs a guiding thread which gives it much greater unity than one would expect. Mussolini has not changed; only his environment is different. His temperament has remained the same, and fundamentally his opinions have altered very little; temperament and opinions, however, have been adapted to new conditions.

Mussolini has never believed in democracy. Even when he was a Socialist editor he hated Parliaments. This man who fascinates the crowd with his inflammatory eloquence has always detested parliamentary oratory, which never results in immediate action. He has sought the people's good, but in spite of them; he has never believed that the public is capable of recognizing its own best interests. Leaders must bestow blessings on the people—such is the formula of all dictators. Mussolini has always had a profound belief in force. He is not one who believes that truth beareth away the victory and that right makes might. On the contrary, he believes that might must precede right. In his youth, like Briand and many other radicals, he advocated the general strike and resistance to the police, but today he sees nothing in-

consistent in employing the police to carry out measures which he wanted to effect by the people's will-power.

Even internationally, Mussolini's mind has undergone no change. Certainly he was never a patriot in the bourgeois sense of the word. But he has always had great faith in the destinies of Italy, and when he sought to lead the Italian people into the paths of revolution, it was because he believed that they were summoned by long historical tradition to play a world rôle. From that point it was not far to the belief that Italy should participate in the World War, and thus recapture her historic position. Mussolini took this step without difficulty. Upon examining his ideas, one is struck by the bond between him and another Socialist who became a dictator, under very different conditions but for similar reasons—Lenin. In the same way one finds analogies with fascism in Germany's Nazi movement. Only those who are satisfied with surface indications can believe that Western European dictatorships are destined to save bourgeois society and capitalism. The dictators themselves think otherwise.

If, as a Socialist, Mussolini was not a democratic Socialist, but a revolutionary advocate of direct action, the same Mussolini as dictator is anything but reactionary. True, he has sometimes leaned upon the great bankers and industrial magnates of his country, but they, through fear of communism, gave him their support and aided him in his hour of success. It was no accident that fascism received its greatest impetus after the workers' seizure of the factories in 1921. Moreover, once in power, Mussolini could rely upon the esteem of the existing conservative interests—the banks, industry, the army and the court. He has given them pledges, has sought to remove their fears, but at heart he has remained determined upon social reforms, and the boldest of such reforms

do not frighten him. Mussolini, while holding now, or in the past, several Cabinet portfolios himself, has accepted the advice of his technical collaborators in all departments which do not interest him directly. But there is one domain which he controls exclusively and in which the work of fascism is truly his own—that relating to economic organization and social reform. If you should ask Mussolini what he considers to be the greatest accomplishment of fascism, he would undoubtedly reply that it has been the granting of rights to labor and the organization of the "corporative" State, a nation united in all its functions.

There is no need here to pass judgment on this aspect of his work, for it could only be brief and superficial. But attention should be directed to three outstanding phenomena which have appeared in the chaos of modern society—first, the American experiment of high wages; second, the Bolshevik experiment in the dictatorship of the proletariat, and, third, the Fascist experiment in coordinating the welfare of the State with the interests of both workers and employers. To decide whether or not this philosophy has enduring vitality, one would have to see it operating, not merely under dictatorship, but also in a free society, for might can establish nothing permanent. Only the free play of forces can give institutions lasting character and sufficient reality. But with this proviso, which the Fascists themselves make, there is no denying that the social experiment of the present régime in Italy contains the basic pattern of a strong and valuable design. And this is the creation of Mussolini, who is more socialistic, more preoccupied with the welfare of the people and more in contact with the proletariat than is often believed.

Mussolini never misses a chance of recalling that he has sprung from the masses and of making clear that his

sympathies are always with the people. In recent months he has expressed this thought many times and in various forms, notably in his speech at Naples on Oct. 24, 1931, which caused a great sensation throughout Italy and gave the industrial magnates no little uneasiness. The latter gained the impression that fascism was abandoning its conservative origin and moving toward a wholly Socialist concept of the economic rôle of the State. For this reason the present phase of development is extremely interesting.

It is well enough known that about a year ago one of the foremost banks of Italy, the Banca Commerciale, was in trouble. There was nothing unusual in that, in view of the economic situation in Europe, but the troubles of the Banca Commerciale arose from an unwise investment policy, which had given the institution control over a large part of Italian industry. No one knows whether the bank took this course under pressure from a government which sought to control the nation's economic life through an intermediary, or whether the bank's action was inspired by fear that the currency had been stabilized at too high a rate of exchange and was not sound. But it is at least certain that the government, in a most audacious fashion, made use of the bank's difficulties for its own ends.

Under the name of the Istituto Mobiliare Italiano (I. M. I.), Mussolini has founded an organization which has taken over all the industrial activities of the Banca Commerciale. It becomes at once apparent that this institution, managed directly by the State, is going to be in a position to exercise a determining influence on the enterprises in which the Banca Commerciale was interested—practically all the industries of Italy. Without a gesture, without a word, without any declaration of principle, but merely acting with full knowledge of what he was about, Mussolini has

thus attained what it has taken bolshevism years to accomplish—the seizure by the State of the country's economic life. He does not hesitate to declare that his purpose is not to inject artificial life into unsound industries, but to separate those which pay from those which do not. In other words, he would achieve a controlled economy—the dream of all European governments. Have we not here the realization of precisely that State socialism which was the ideal of Mussolini's youth?

In the same way, the logic of his course in foreign affairs may be traced. Mussolini has never had but one idea—the greatness of Italy. What has differed according to time and circumstance has been merely the best means to attain that end. When he praised war, his purpose above all was to give his people a sense of discipline and sacrifice and the consciousness of nationality which centuries of foreign domination had somewhat blunted. But the greatness of Italy demands both moral virtue and economic strength. That is why Mussolini's bellicose utterances are always accompanied by positive promises concerning internal reforms and economic advancement.

Eventually, however, post-war financial stringencies demanded a choice between these conflicting aims. Italy can produce bigger and better armaments. She can fortify herself economically. But she cannot do both things at once, because she lacks the necessary funds. At this juncture Mussolini apparently hesitated; in the end he followed the advice of his Foreign Minister. His message of peace to the people of America on Jan. 1, 1931, marks exactly the date of his decision. Italy was to sponsor a policy of international disarmament which would provide her with sufficient financial resources to realize the great internal plans which fascism considers to be part of its program.

When Mussolini adopted this new

policy he said that he reserved the right to abandon it if circumstances so demanded. "If the Disarmament Conference succeeds," he said in Rome in December, 1931, "I shall make the *Balilla* [the organization of Italian youth] part of the international Boy Scout movement; on the contrary, if it fails, I shall accentuate its military character." Unfortunately, Mussolini is an impatient man who likes rapid decisions. Unable to withhold judgment until the work of the conference was completed, he has condemned it at the end of only its first phase—and that undoubtedly explains the sudden removal of Foreign Minister Grandi. One must now wait to see whether Italy will revive her military plans and sacrifice to them her projected internal reforms.

In domestic affairs the end likewise justifies the means. Mussolini was opposed to the King when the monarchy seemed an obstacle to his plans, but the moment he saw that the monarchy would be useful to him, he rallied to the House of Savoy. At the beginning of his rise to power he attempted to govern with a Parliament which had been chosen by the people and with a coalition Cabinet in which there were only four Fascist Ministers. His opponents united with his own supporters to seat him in the dictator's chair. Yet there is no evidence that some day, when domestic affairs seem favorable, he will not return to the idea of a normal government of which we once heard so much in his speeches. Domestic affairs, moreover, may become favorable. External opposition to fascism is now practically non-existent. Within the Fascist party itself several currents can be noted, one of which is carrying the head of the government toward complete democracy. Circumstances, much more than any preconceived plan, will determine the future, for Mussolini, who seems so inflexible, is an opportunist at heart.

In Mussolini there is a symbol and

there is a man. The symbol is fascism—a revolutionary doctrine of dictatorship which seeks to subordinate the individual to the good of the State as it is conceived by certain self-appointed leaders. At bottom this program is not new; numerous examples of it are to be found in the history of the medieval Italian republics. What is novel and daring is to have transformed the doctrine into a religion and to have proclaimed it in the twentieth century after three generations had accepted democracy as the last word in progress. Another innovation is to associate autocracy with the belief in progress rather than with reaction. Here Mussolini surely has exercised a profound influence on the development of modern political thought.

His part in international relations has been no less significant. He has posed as the champion of treaty revision, not because of direct national interest but because of temperament. A man for whom life must be activity cannot comprehend that international stability rests on the permanency of treaties. His conception of politics is dynamic; it is that, much more than Italian interests, which ex-

plains his friendship for Germany and his dislike for France. Some one who knows Mussolini intimately has said that toward France he feels no hate, only frustrated love. After all, there is a close resemblance between the two. Such is Mussolini the symbol—the incarnation of the belief in dictatorship and the idea of action.

As for the man himself, I have seen Mussolini in his immense study at the Palazzo di Venezia, a room so huge that as one enters the door he looks almost tiny behind his desk. I have seen him sure of himself and of his ideas, never conceiving the possibility of any view other than his own, and as dogmatic in his opinions as in his orders. But I have also seen him nervous, agitated, tired and almost uneasy. At such times, while he talks, he will sweep his arm over his desk with a terrific gesture and will sway back and forth in his seat as if he were in a rocking-chair. He is ever simple, direct and human—far different from the conventional portrait—but underneath he is lonely, separated from the masses, isolated by his position and authority even more than he could be by pride and majesty.

The March on Rome: Revised Version

By GAETANO SALVEMINI

[The author of the following article is a noted Italian historian who has been Professor of History at the universities of Messina, Pisa and Florence. For ten years he edited the Liberal newspaper *L'Unita* and from 1919-21 he was a member of the Italian Parliament. After the Fascists came to power he was constantly under suspicion and spent a short time in prison in 1925 for his alleged opposition to the Fascist Government. That year he left Italy to settle in London, where he has been an outstanding critic of Fascist rule.]

THE well-known English writer, Israel Zangwill, was staying in Florence during the last days of October, 1922, at the moment of the political crisis which placed the government of Italy in the hands of Mussolini. In his eyes the events of those days resembled comic opera more than real revolution. Curzio Malaparte, one of the Fascist leaders in Tuscany, describes the episode in his little book *Coup d'Etat: The Technique of Revolution* (New York: E. P. Dutton & Co., 1932). He endeavored to persuade Zangwill that he was witnessing a revolution, and to convince him Malaparte drove Zangwill to the gas works, the telephone exchange, the telegraph office, the bridges and the railway stations. All these "strategical positions" were in the hands of Black Shirts. The result of this demonstration was disastrous for Malaparte's thesis. Zangwill observed that the Fascists had seized all these positions without striking a blow, while the police had taken refuge in the Prefecture behind rows of carabinieri, royal guards and armored cars. Not only that, "the troops of the garrison, the infantry and cavalry

regiments were under orders to remain in barracks; for the time being the authorities were observing a benevolent neutrality."

Malaparte called Zangwill's attention to the fact that the Prefect of Florence could not communicate with the other authorities because the Fascists held all the telephone and telegraph offices. He neglected to tell him that in Florence the military headquarters are only 200 yards from the Prefecture and that in five minutes the Prefect could have sent orders to the commanding officer to clear out the Fascists from their "strategical positions." Even without knowing this significant detail Zangwill might well have wondered why the Prefect made no use of the police, concentrated in the Prefecture, to expel the Fascists from the telephone and telegraph offices and from the central railway station—all of them within a quarter of a mile of the Prefecture.

The attitude of General Gonzaga, the commanding officer of the garrison of Florence, as described by Malaparte, was, if anything, still more ambiguous than that of the Prefect. After confining all troops to barracks and thus enabling the Fascists to seize the "strategical points" without striking a blow, he learned from the newspapers that the King was negotiating with Mussolini and likely to invite him to become Prime Minister. At the moment the news was fictitious. But General Gonzaga wirelessly to the Ministry of War in Rome for confirmation—apparently the military authorities still had at their disposal the wireless service which the Fas-

cists had forgotten to commandeer. The Ministry of War refused to answer directly, replying that the name of the King must not be brought into party quarrels and that the news was probably premature. The General's next step was to go to the Fascist headquarters in Florence and ask if the news was correct. He was assured that it was. This "good news put an end to his conscientious scruples and lifted a great responsibility from his shoulders"—that of dislodging the Fascists from those "strategical points."

Almost all the Generals commanding military forces in other cities acted more or less as did General Gonzaga at Florence. One needs only to read the accounts in the *Popolo d'Italia* for Oct. 28, 29 and 31, 1922, by the local correspondents in Siena, Piacenza, Cremona, Vicenza, Alessandria, Verona, Mantua and Bologna. Everywhere the Generals confined the troops to barracks and allowed the Fascists to take possession of the railway stations, telegraph and telephone offices, arsenals and newspaper buildings. Wherever the Fascists advanced, the army chiefs tactfully retired. In the rare instances when the military authorities did their duty the Fascists did not move an inch, or if they attempted to seize "strategical points" they were easily dislodged.

A typical case brought to my notice by an eyewitness occurred at Padua. General Boriani, the commander of the garrison of that town, was away on leave, or apparently so, on the night of Oct. 27. General Emo-Capodilista, who was in temporary command and did not belong to the military set who were in collusion with the Fascists, was preparing to take the necessary steps to dislodge the latter when General Boriani hastily ended his leave, took over the command again in the middle of the night and confined the troops to barracks.

As early as Sept. 29, a month be-

fore the "march on Rome," the headquarters of the Fascist party had been assured "that the army would remain neutral." This essential fact was divulged by Alessandro Chiavolini, Mussolini's private secretary, in the *Popolo d'Italia* for Oct. 27, 1923. Mussolini himself in a speech on Oct. 30, 1923, declared that he knew that "at the opportune moment the government machine guns would not fire on the revolutionaries." Richard Washburn Child, the American Ambassador in Rome in Oct., 1922, writes in his book, *A Diplomat Looks at Europe*, that he had it on good authority that "the army" secretly favored the movement; but by "army" must, of course, be understood "army chiefs."

A retired General, De Bono, was one of the "quadrumvirate" who on Oct. 27 directed the movement from Perugia. Five other retired Generals, Fara, Maggiotto, Ceccherini, Zamboni and Tiby, commanded the Fascist groups which on the night of Oct. 27 were "marching" on Rome. While these retired Generals were directing the sedition around Rome, other officers, some pensioned, others in service but on official leave, were commanding the Fascist groups which were seizing "strategical points" in the towns.

A Fascist who with his comrades occupied the railway station of Cancello, south of Rome, says in an account of his adventures: "The rumor reached us that the carabinieri were proposing to break our lines. We were posted with a one day's ration of bread and corned beef. But it was a false alarm. They never appeared. Instead of that a quartermaster came, singing the praises of Mussolini, and offered us a truckload of all sorts of good things."

Had he known these facts Zangwill would have been still more confirmed in his opinion that he was witnessing a comic opera.

The King, who had been at his country home of San Rossore, near Pisa, was informed of what was happening and arrived in Rome on the evening of Oct. 27. He was indignant. "Rather than give in," he said in the Piedmontese dialect, "I will go right away with my wife and my boys." That night the Cabinet decided to declare martial law, and while awaiting the King's signature to the proclamation they forced the Prefects of the provinces to hand over their powers to the military authorities.

The Ministers were sure that the King would sign the decree without discussion. In the twenty-two years of his reign he had never refused a signature to a Minister. While neither stupid nor wicked, he is incapable of initiative. His use of the royal prerogative has always been confined to signing the laws and decrees laid before him by his Prime Minister. When a Cabinet resigned, he would call in those who, according to etiquette, were the proper people to be consulted in such circumstances; he would ask each one whom he would suggest as the next Prime Minister, making a note of each recommendation. In the end the man whose name had been put forward by the greatest number would be sent for. Having performed this duty, the King would resume his habit of signing the decrees which the new Prime Minister laid before him.

Feeling certain that the King would sign the proclamation of martial law, the Ministers had the decree publicly posted at 10 A. M. on Oct. 28. As soon as the news was known the Fascists of Rome were seized with panic. They feared that the army chiefs, recalled to their oath of allegiance by a peremptory order from the King, would set the machinery of repression in operation. From 10 A. M. until noon not a Fascist was to be seen on the streets of Rome. One of the Fascist leaders, the present Minister Acerbo, then a member of the Cham-

ber of Deputies, clad in his black shirt, took refuge in the Palazzo Montecitorio, where the Deputies sit, and asked, trembling all over, whether he could be sure of not being arrested if he remained there.

Meanwhile, Luigi Facta, the Prime Minister, took the decree to the King for signature. But he had been forestalled. During the night of Oct. 27 Admiral Thaon de Revel had "advised" the King to yield to the "revolution." On the morning of Oct. 28 General Diaz—one of the army chiefs—arrived at the Palace. He had been in Florence during the previous afternoon when the headquarters of the Fascist party ordered the "mobilization" of the Black Shirts and their "march on Rome." He received an ovation from the Fascists, gave an interview to *La Nazione*, a Florence daily, in which he expressed his complete faith in the Fascist movement and rushed off by car to Rome to "inform" the King that the army would not fight against the Fascists. News also reached the King that his cousin, the Duke of Aosta, was at Bevagna, near Perugia, in touch with the "quadrumvirate" which was directing the sedition, ready to have himself proclaimed king as soon as the actual ruler should abdicate or be deposed by the Fascists. It is not for nothing that the Duke of Aosta was the husband of an Orleans Princess.

The King was frightened by all this "advice," "information" and "news." But Premier Facta was still more afraid than the King; moreover, he imagined that he was going to be asked to form a new ministry with the collaboration of the Fascists if he aided in finding a compromise. Therefore he did not advise the King to sign the proclamation. "Sire," he said to the sovereign, "think it over." The King thought it over—and refused to sign; it was easier not to sign. He acted exactly like the Generals commanding provincial garri-

sons; he left the way open to the Fascists.

Having obtained the revocation of martial law, Thaon de Revel, Diaz and General Cittadini, aide de camp to the King and a supporter of the Fascist movement, suggested that the King send for the man on whom they could depend—Antonio Salandra, who had been informed several days previously of the high destiny which awaited him, and was already in Rome waiting to "sacrifice himself." But the King's advisers soon discovered that they had reckoned without their host.

The revocation of martial law was made known to the press at 12.15 P. M. and the news sent a thrill of triumph through the Fascists all over Italy. Leaving their "strategical points" they poured into all the streets, stormed the trains and thus "marched on Rome." It was impossible to stem the tide. The carabinieri themselves left their barracks, fraternized with the Fascists and accompanied them on the "march." By refusing his signature to the decree of martial law, the King not only disarmed the Cabinet but lost his own freedom to choose the new Prime Minister. Until 12.15 P. M. on Oct. 28 Salandra might have negotiated with the Fascists with a view to giving them some subordinate place in the Cabinet. But from that time on Mussolini was master. For twenty-four hours, Salandra tried in vain to assemble a new Cabinet; during the afternoon of Oct. 29 he was obliged to acknowledge his failure. The King had no alternative but to call Mussolini.

The "mass suggestion" of Oct. 28, the failure of Salandra and the putting forward of Mussolini for the Premiership had been foreseen by no one. Mussolini had not been pleased in Naples, on Oct. 26, with the decision of the general staff of his party to order the "mobilization" of the Black Shirts. He distrusted the Nationalists,

who were insisting that the order should not be postponed. He knew that the Nationalists wanted a Cabinet with Salandra at its head and with an openly conservative program. He did not like the idea of being dragged along in their wake. While the Nationalists were working for Salandra, Mussolini was negotiating on the one hand with Giolitti and on the other with Nitti, both of them being not only political but also personal enemies of Salandra and the Nationalists. He stipulated for posts in the Cabinet for his friends, an immediate dissolution of parliament and a general election. He was anxious not to compromise the success of his negotiations by violent measures whose outcome could not be foreseen. He brandished the threat of the "march on Rome" to make the politicians bend to his will, but he did not intend that the sword should be drawn from its scabbard.

After the Nationalists had carried their demand for immediate mobilization, Mussolini left Naples, crossed Rome without stopping, and instead of going to the headquarters of the movement at Perugia proceeded to Milan. If he had foreseen the sudden and overwhelming victory of Oct. 28 he would have gone to Perugia, to avoid sharing with others the glory of the "battle" and victory. But having no faith whatever in the adventure he betook himself to within two hours' journey from the Swiss frontier, ready for flight if things should turn out badly. Even the revocation of martial law did not bring a realization of his triumph. On the evening of Oct. 28 he was still negotiating—by telephone—with Salandra about the number of seats in the Cabinet which should be given to his party. It was Finzi, one of his friends with him in the offices of the *Popolo d'Italia*, that cut short negotiations by suddenly taking the receiver from Mussolini's hand and declaring to Salandra that he must make way for Mussolini.

The Nationalists in Rome who were backing Salandra were furious at the demands from Milan, but they too were obliged to give way. At the invitation of the King, Mussolini left Milan the next night and "marched on Rome" in a sleeping car.

How many Black Shirts on the morning of Oct. 28, 1922, "marched" on Rome? A Fascist paper, *La Patria*, in a highly colored account of the "epic" days which had just passed, stated on Oct. 31 that "the Fascists encamped at the gates of Rome during the night of Oct. 29 numbered almost 70,000" (quoted by the *Popolo d'Italia*, Nov. 1, 1922). This number was repeated in 1923 by an English journalist, Sir Percival Phillips, in his book *The Red Dragon and the Black Shirt*. In that case the conquest of Rome was the achievement of 117,000 Fascists, of whom 70,000 formed the front line. Again in 1924, in his work *Awakening Italy*, Luigi Villari, the Fascist propaganda agent in Anglo-Saxon countries, gave the figure as 70,000 for the troops in the front line, but put the rear guard at only 20,000. But two years later in the *Manchester Guardian* for March 27, 1926, he raised the total who "marched" on Rome to 200,000. Sir Ernest Benn, an English publisher and student of politics and economics, judged 200,000 not enough and raised the figure to 300,000. None of these gentlemen ever asked himself how many trains and trucks would have been required to transport in one night 70,000 men, much less 200,000 or 300,000. Mussolini's own organ, the *Popolo d'Italia*, on Nov. 3, 1922—a date too early for the Fascist legend to have been invented—stated that between Oct. 30 and Nov. 1 the railways had evacuated from Rome 45,000 Fascists. But in a speech on March 24, 1924, Mussolini said that he had had at his command 52,000 men; by June 17 he had increased the number to 60,000, although in a letter written on Oct. 28, 1924, he reduced it again to 50,000.

Probably, then, his "troops" on the fateful Oct. 30 numbered between 50,000 and 60,000.

But the Fascists who entered Rome on Oct. 30 were more numerous than those who on the morning of Oct. 28 might have been called upon to face the regular army. The big rush of Black Shirts to Rome took place only after the revocation of the decree of martial law. During the morning of Oct. 28, according to a staff officer who was in Rome, not more than 8,000 Fascists were in the city. During the afternoon of Oct. 28, all the next day and the following night, thousands of Fascists "marched" on Rome and joined those who had reached the city during the night of Oct. 27 and on the morning of Oct. 28. A few of them, like Mussolini, "marched" in sleeping cars; the majority "marched" in the trains they took by storm, in trucks, on horseback, or even on foot.

Wherever they passed there was a prodigious slaughter of chickens and draining of wine casks. Any peasant indiscreet enough to claim rights of ownership over his poultry or wine ran the risk of being given short shrift as a "Communist" and an enemy of his country. Amid this "marching" anarchy Mussolini made his entry into Rome.

The Black Shirts were divided into four groups. Those who had been transported by the railway which links Rome with Pisa had been prudently halted at Santa Marinella, a seaside village near Civitavecchia, thirty miles west of Rome. Others, coming from Umbria, were at Orte, thirty miles north of Rome. The Fascists from the Abruzzi were halted at Tivoli, fifteen miles east of Rome. The "insurgents" from the south were at Valmontone on the Rome to Naples railway, forty-five miles from the capital. Between these scattered groups there was no direct contact. They had a few machine guns, rifles, revolvers and a small amount of ammunition, bludgeons, table legs and

branches of trees. Such is the description of them given in the *Popolo d'Italia* for Nov. 1, 1922—a source not open to suspicion—by the Belgian Member of Parliament M. Pierard, by the American journalist Carleton Beals, and by the Spanish journalist Sanchez Mazas, who were at Rome at the time.

The contingents of the regular army stationed in Rome numbered 12,000 men and could have easily dispersed these badly armed and ill disciplined groups. A pitched battle would have been unnecessary. It would have been enough to have left them without food and water in the desert of the Roman Campagna, cut off from their several bases. After twenty-four hours of this treatment a few judiciously administered kicks would have sufficed to have sent them home in a chastened mood. An old Roman prelate, who had been at the Vatican with Pius IX in 1870 when the Italian forces occupied Rome with a loss of twenty men, commented on the defense of Rome in 1922 with the pithy remark: "We in our day put up a better defense."

Was it a revolution? The "march on Rome" no doubt possesses certain of the elements of a "political revolution," in that a group of men, though armed only with table legs, took advantage of the weakness of the King and the Prime Minister and seized the government. But in a political revolution the army is beaten by the revolutionaries or is unable to resist them, while the army chiefs remain faithful to the regular government. In the case of the "march on Rome" the new men seized the government with the connivance of many military chiefs.

Thus the "march on Rome" should rather be classed as a military *coup d'état*.

A military *coup d'état* is made with the help of the army by men who are in the highest posts in the government, as, for instance, the *coup d'état* in France on Dec. 2, 1851, when Louis Napoleon seized control of the Second Republic. In Italy in 1922 the King did not dare to abolish Parliament, nor did any general have the courage to compel the King to abdicate, or by a *coup d'état* to abolish Parliament.

To annul the parliamentary prerogatives the Italian military clique made a "pronunciamento" against the King in order to force him to carry out a *coup d'état* against Parliament. They camouflaged their "pronunciamento" as a popular "revolution." The King found himself caught between a civil government represented by an incompetent Prime Minister and a military uprising masked as a popular insurrection. He was forced to choose between giving in to the "advice"—the masked "pronunciamento" of the military clique—or abdicating in favor of his cousin. He yielded to the pressure and disarmed the civil government by depriving it of its indispensable means of legal repression.

So Israel Zangwill was right in regarding the "march on Rome" as a comic opera when the Fascists wanted him to believe it a genuine revolution. He would have regarded it as a serious matter had he realized that he was witnessing a military "pronunciamento" directed against the civil government. The pretended popular "revolution" was only the civic mask hiding the abolition of parliamentary institutions in Italy.

Power as a Campaign Issue

By ERNEST GRUENING

[After a varied career in journalism, Dr. Gruening in 1927 became editor of the *Portland Evening News* (Portland, Me.). In his recent book, *The Public Pays*, he sets forth his views on the social aspects of the power question.]

UNQUESTIONABLY power stands out as the issue above all others that distinguishes parties and candidates in the 1932 Presidential campaign. Particularly is this so since President Hoover's acceptance address has brought him measurably closer to the Democrats' outright repeal stand on prohibition.

Generally speaking, the position of the President and the Republicans is to "stand pat" on the power question; Governor Roosevelt and the Democrats occupy a "progressive" position in demanding considerable reform; while the Socialists, headed by Norman Thomas, urge public ownership of natural resources and basic industries, including, of course, ownership of the utilities that supply the American people with electric current.

That there is a power issue this year may fairly be ascribed to Governor Roosevelt's leadership of the Democratic party. Regular Republicans have never raised the question as one of moment to the welfare of the American people. What allusion has been made either in party platform or by the President has been casual, slight or negative, the assumption being that all was well, which is the position maintained by the spokesmen of the power industry. That likewise was precisely the pre-convention position of other Democratic candidates, notably Governor Albert C. Ritchie of Maryland. It was Governor Roosevelt's nomination, therefore, in view

of his power record as Chief Executive of New York, that has placed this issue in the forefront and provided the opportunity to register a clean-cut choice in the Presidential election.

How vital the power question appears to some of our ablest public men may be gleaned from the following statement by Congressional leaders of both major parties:

We regard the power question in its economic, financial, industrial and social aspects as one of the most important issues before the American people in this campaign of 1932.

Its political significance cannot be overestimated and must challenge the attention of those interested in any progressive movement or measure. The reason is plain. The combined utility and banking interests, headed by the Power Trust, have the most powerful and widely organized political machine ever known in our history. This machine cooperates with other reactionary economic, industrial and financial groups. It is strenuously working to control the nomination of candidates for the Presidency and the Congress of both dominant political parties.

This declaration was signed by fifteen United States Senators, twenty-two United States Representatives, by judges and others prominent in public affairs. The Republican Senators include George W. Norris and Robert B. Howell of Nebraska, Bronson Cutting of New Mexico, Hiram Johnson of California, Lynn J. Frazier and Gerald P. Nye of North Dakota, while among the Democratic Senators are Thomas J. Walsh and Burton K. Wheeler of Montana, Clarence C. Dill of Washington, Edward P. Costigan of Colorado, Kenneth McKellar of Tennessee and Thomas P. Gore of Oklahoma. Here, in brief, the power issue is presented far more vividly

than in the major party platforms.

The Republican platform, under "Public Utilities," reads:

Supervision, regulation and control of interstate public utilities in the interest of the public is an established policy of the Republican party, to the credit of which stands the creation of the Interstate Commerce Commission, with its authority to assure reasonable transportation rates, sound railway finance and adequate service.

As proof of the progress made by the Republican party in government control of public utilities, we cite the reorganization under this administration of the Federal Power Commission, with authority to administer the Federal water-power act. We urge legislation to regulate the charges for electric current when transmitted across State lines.

The tenth plank of the Democratic platform reads:

Protection of the investing public by requiring to be filed with the government, and carried in advertisements, of all offerings of foreign and domestic stocks and bonds, true information as to bonuses, commissions, principal invested and interest of sellers. Regulation to the full extent of Federal power of (a) Holding companies which sell securities in interstate commerce; (b) Rates of utility companies operating across State lines; (c) Exchanges trading in securities and commodities.

It will be observed that while both planks are slight, the Republican connotes a satisfactory, the Democratic an unsatisfactory state of affairs. The Republican plank says nothing about holding companies or protection of the investing public. Both speak of control of rates of electricity sent across State lines, the Republican platform urging "legislation to authorize" the Federal Power Commission "to regulate the charges for electric current when transmitted across State lines," the Democratic advocating "regulation to the full extent of Federal power." It is fair to note that, though the Republicans have been in power with control of both houses of Congress for eleven years, they have not regulated interstate electricity in accordance with their present plank. But, as already indicated, neither plank goes very far.

Those engaged in the private business of manufacturing, distributing and selling electric current for light and power contend that the business is admirably run, that service is excellent, that rates to the consumer have been steadily reduced, and that the industry's securities are second to none in safety. In the frequently uttered phrase of Martin J. Insull, one of the leading utility spokesmen, "the American public utility industry is the envy of the whole world." It is the industry's further contention that it is adequately regulated by existing State commissions. Criticism that rates are excessive and regulation ineffective are met by utility spokesmen with denials and the countercharge that those who make them are variously "politicians," "agitators," "demagogues," "pinks" or "reds." Indeed, the formula suggested to one of the nation's leading utility magnates by his public relations counsel, "not to try reason or logic * * * but to pin the Bolshevik idea" on an opponent, has been widely followed. The industry is likewise unqualifiedly opposed to any form of public utility operation, Federal, State or municipal, it being part of its established policy to combat existing municipal plants.

On the other hand, critics of the privately owned utilities, which are centralized in approximately ten great holding company systems, produce abundant evidence that regulation by State utilities commissions has on the whole proved ineffective to protect either the consumer in securing moderate rates or in safeguarding the investor.

The government's own agency, the Federal Trade Commission, has, in the course of several thorough inquiries conducted for five years, uncovered a variety of far-reaching abuses. Perhaps the most startling was the discovery of a nation-wide propaganda campaign, admittedly the largest peace-time effort to shape public opinion in the nation's history. This

campaign to disseminate the standpoint of the private utilities systematically invaded colleges, schools, public forums, clubs, the press, the motion pictures and the radio. The most objectionable aspect of the propaganda was that it did not appear as a frank and open presentation of an industry's case, but was almost invariably disguised as disinterested and unbiased. Another objection was that its vast cost was charged directly to the light and power consumer. The public paid for it.

Among the abuses that have been uncovered by the Federal Trade Commission is the almost universal practice of arbitrarily "writing up" the valuations of utility properties in order to enlarge the rate base, a device which corresponds in purpose to the "stock watering" of an earlier day. The consumer, of course, pays, indefinitely, a higher rate to permit the "fair return," be it 6, 8 or 10 per cent, on this fictitious capitalization. Characteristic stock and securities "write-ups" brought to light by the Federal Trade Commission have been those of the American Gas and Electric Company, \$88,492,000; the American Power and Light Company, \$74,000,000, and the Electric Power and Light Company, \$70,103,600; while the proportion of increase after the purchase and "reorganization" of various light and power properties is illustrated by these examples:

	Original Cost	"Value" After "Write-up"
Electric Power and Light, Miss- issippi	\$9,726,966.00	\$20,441,510.00
Buffalo, Ni- agara and Eastern ...	54,878,574.00	107,836,022.00
Electric Power and Light, Lou- isiana	9,190,757.00	19,076,594.00

From the companies already investigated it may conservatively be assumed that the total utility inflation of this character is not less than \$2,000,000,000. At 8 per cent this type of padding alone would levy an annual

charge of \$160,000,000 on the nation's light and power consumers. Regulation has thus far failed to cope with this abuse. Once the securities thus diluted have been issued and sold to the public to the detriment of the consumer, the "water" is, so to speak, over the dam.

Fearful that rates may prove "confiscatory" and zealous for property rights, the courts have gradually injected themselves into the rate-making function under a steadily growing interpretation of the due process clause of the Fourteenth Amendment to the Constitution. While the legal status of rate-making, with its attendant theory and practice of valuation, is still largely in a flux, the utilities have, in many cases in which local commissions have sought to halt excessive valuation and rates, managed to evade regulation by protracted litigation, the cost of which, win or lose, is borne by the consumer.

Another development against which a warning was sounded five years ago by the noted economist, Professor William Z. Ripley of Harvard, in his book, *Main Street and Wall Street*, is the pyramiding of holding companies on operating companies. The process, which has progressed to the superimposition of as many as seven tiers, serves the speculative objectives of a small group of "insiders," both as a means of accumulating fortunes in short order, and to control vast amounts of other people's money with a small investment of their own. Of the typical cases brought to light by the Federal Trade Commission may be cited that in which H. M. Byllesby & Co., "with an investment of less than \$1,000,000, is able to exercise the voting control over more than \$370,000,000 of operating capital," and in which "an investment of less than \$13,000,000 becomes the residuary beneficiary of the income produced by that large investment."

What Professor Ripley predicted in 1927 might come at the first financial

squall has already happened to the Tri-Utilities system, and more recently to the great Middle West Utilities, ramifying into thirty-one States, whose top-heavy financial structure has collapsed, leaving a saddened and impoverished host of "widows and orphans" and "customer owners." Regulation failed utterly to protect them.

The Insull collapse bears further on utility activities in politics for the purpose of evading regulation. Five years ago a Senate inquiry disclosed that Samuel Insull had contributed to both Republican and Democratic candidates seeking a United States Senate seat from Illinois the greater part of their total campaign funds. Colonel Frank L. Smith, the Republican candidate, happened at the same time to be Chairman of the Illinois Commerce Commission, the body charged with regulating the Insull and other utilities in the State. A less intimate relationship and more vigorous regulation might conceivably have obviated the receiverships which have now descended on various Insull units.

This case, while perhaps extreme in its crudity, bears the earmarks of practices that are not without plentiful analogies in the close relationship of power interests and political machines. In Connecticut the Republican National Committeeman and State leader is likewise president of the Connecticut Light and Power Company and half a dozen other utilities. In Nebraska, in 1930, the utilities worked hand in glove with the Republican organization in the effort to defeat Senator Norris for re-election.

One final obstacle to regulation requiring mention is the "holding company." Technically, this is not a utility and therefore not subject to the State Utilities Commission. Moreover, it is usually in a different State from those in which most of its operating or other holding companies

are located. The mushroom growth of the holding company device has led to a fantastic complexity of intercorporate relationships. The Associated Gas and Electric Company had in 1931 eighteen separate classes of bonds or debentures and ten separate classes of stock, preferred and common, in addition to stock purchase rights and interest-bearing allotment certificates. So intricate is this system, composed of several hundred corporations to hold, subhold, operate, manage company properties, trade in its securities, do its advertising and publicity, build its plants, and so forth, that the vice president of the company was obliged to confess on the witness stand that he could not remember in what companies he was a director or official and even the character of the business transacted by some of them.

These labyrinthine structures, power company officials have contended, serve the public in securing greater safety through diversification, greater ease in securing credit and in rendering expert engineering services at lower cost. This view, however, is not shared by experts not affiliated with the industry, who see in this system the possibility of concealing profits and adding to them by padded intercompany charges. Professor Bonbright and Mr. Gardner C. Means of Columbia University, in their recent scholarly volume, *The Holding Company*, point out also (as did likewise Professor Ripley) that these numerous companies serve to deprive investors of any voice in the disposition of the funds they have invested, and that, "in order to maintain working control of the great utility systems which they have created, public utility operators have resorted to every known device for disfranchising the great mass of investors."

The utility industry has vigorously maintained that these superimposed holding companies and excessive

capitalizations have no bearing on the rates charged consumers. Professor Ripley in 1927 shared that view (*Main Street and Wall Street*, page 324). Other experts writing within the year think otherwise (Bonbright & Means, *The Holding Company*, pages 164-167). Of great pertinence also is the contrast between the rates charged in Ontario under public ownership or in some of the numerous municipal plants, such as in Seattle, Tacoma, Los Angeles and hundreds of smaller towns in the United States, which indicates that rates, especially domestic rates, charged by the privately owned public utilities are far higher than they need be. "There are in Massachusetts today," wrote Professor Ripley in 1927, "perhaps sixty small municipal plants which are effectively serving their communities at rates quite reasonable by comparison with those made by the great centralized corporations" (*Main Street and Wall Street*, pages 288-289). Morris Llewellyn Cooke, perhaps the outstanding hydroelectric engineer in the country, has estimated that domestic rates in the United States are approximately 100 per cent too high.

The pros and cons of the two systems in the State of California, where public and private ownership in every variety exist side by side, have been dispassionately set forth by Frederick L. Bird and Frances M. Ryan in their book, *Public Ownership on Trial*. One of their conclusions is that California owes its relatively low rates to the considerable number of municipal plants. Another study, just completed after two years' investigation, is that of the public-utility section of the Commonwealth Club of California. Its conclusion was not merely that municipal plants charge far lower rates, but that, contrary to the assertion that the consumer pays the difference in higher taxes, the surplus has often been used to reduce local taxes. Finally, it is the conclusion of

Stephen Raushenbush in his recently published book, *The Power Fight*, that the American public is paying "not less than a million dollars a day more than it should in electric rates."

Broadly speaking, persons more or less informed on the power issue divide into two camps—those who see the problem chiefly from the standpoint of the public and those who approach it rather from the side of the industry. Governor Roosevelt's supporters declare that he is fully aware of the social aspects of the widest possible distribution of power at the lowest price, and apparently there is among them more enthusiasm over his stand on the power question than over any other part of his public record. It is that which has drawn to his standard certain Republican insurgents, and led the more progressive Democratic Senators, such as Wheeler and Dill, to support him vigorously in the pre-convention campaign.

Speaking of the prospective development of the St. Lawrence, for which he has striven, Governor Roosevelt declared in an address at Binghamton two years ago:

If it is done, in our State as in Ontario at the present time, we shall have, I am confident, much cheaper electricity in the home. This means the release of women from the drudgery of housework. They will have the benefit of electric lights, refrigeration, ranges, radios, dishwashers, clothes washers and all other household appliances run by electricity.

Let me mention that the household cost here for the average family in Binghamton for 35 kilowatt hours is \$3 per month; that a woman in Ontario can have a complete electric kitchen for \$3.40 a month, whereas, here in Binghamton, that same electrified kitchen would cost \$11.15 a month.

One of Governor Roosevelt's most important official acts has been to appoint the commission known as the New York Power Authority to supervise the St. Lawrence project. Its members are all citizens not only technically equipped but conspicuous for their interest in the public welfare—Frank P. Walsh, lawyer; Fred Free-

stone, Master of the State Grange and long an advocate of rural electrification; Delos M. Cosgrove of Watertown, president of the Jefferson County Bar Association, who was largely instrumental in the establishment of the Watertown municipal plant; James C. Bonbright, Professor of Finance at Columbia University, and Morris Llewellyn Cooke, hydroelectric engineer. The editorial comment of one New York newspaper on these appointees was that none was "Power Trust minded or Power Trust owned."

A lawyer by profession, Governor Roosevelt has spoken out against the interference of the courts in rate making, and the indications are that, if he were elected President, he would try to secure legislation abrogating the courts' usurpation of legislative functions. He has repeatedly urged Federal control of holding companies operating across State lines. He has backed bills for "power districts," permitting municipalities to buy wholesale cheap electric power to be developed. He has made plain his conviction that regulatory commissions are not merely "quasi-judicial" bodies acting as neutral arbiters between the power companies and the consumers but administrative agencies intended to promote and defend the public's interests and rights. He has repeatedly pointed to the inadequacy of regulation and to the perils inherent in the uncontrolled activities of the utilities.

On the other hand, President Hoover's references to the power issue have been few and far between. Nor have they indicated any belief that reforms were needed in the industry for the protection of either consumers or investors or to render power more widely available. In his speech accepting the renomination his sole reference was:

I have repeatedly recommended the Federal regulation of interstate power. I shall persist in that. I have opposed the Federal Government undertaking the operation of the power business. I shall continue that opposition.

That President Hoover is a some-

what recent convert to Federal regulation of interstate power would appear from the address in Washington on Oct. 14, 1925, when he was Secretary of Commerce, before the thirty-seventh annual convention of railroad and utility commissioners. The address was entitled "Why the Public Interest Requires State Rather Than Federal Regulation of Electric Public Utilities," and was reprinted and distributed by the National Electric Light Association. In this he set forth four arguments for Federal regulation, analyzed and rejected each in turn. The second of these dealt with the power transmitted across State lines:

Power has no such interstate implication as transportation. * * * Furthermore, there has been outrageous exaggeration of the probable extent of interstate power. * * * At the present time less than 4 per cent of the power developed passes State lines.

Mr. Hoover then argued forcibly that a State commission in the State where power was generated could fix the rates in a neighboring State, concluding:

It is difficult to conceive a situation which, so far as public interest goes, could not be controlled in this simple and effective manner. It needs no new machinery * * * requiring sanction by Congress. If, in the passage of time and the accumulation of experience, the unexpected, either economic or legal, should happen * * * it will be time enough to talk of Federal control. No such condition exists today or is apparent in the future.

President Hoover's reference in his acceptance address to opposing the government undertaking of the power business was suggested chiefly by Muscle Shoals, where the government during the war invested \$150,000,000. It has been Senator Norris's contention for many years that as the public's money had already gone into this vast enterprise, it should not be turned over to private exploitation for profit, but should be utilized as a "yard-stick" for the production of low-cost power. A decade-long battle has been waged over this issue with

Senator Norris's bills steadily gaining Congressional support, but not yet sufficient to overcome repeated Presidential vetoes. Meanwhile the development on the Tennessee River is at a standstill.

The burden of the criticism of President Hoover's attitude and acts on power may be found in speeches in the Senate by insurgent Republicans and progressive Democrats. It is summarized in two reports issued by the non-partisan National Popular Government League. The first report before the 1928 campaign analyzed the power records of Mr. Hoover and Alfred E. Smith. Based on Mr. Hoover's eight-year record as Secretary of Commerce, in which his frequent addresses before utility organizations were broadcast in pamphlet form by their publicity departments, the league estimated that Mr. Hoover, if elected, would be wholly partial to these utilities and silent on their propaganda and financial methods.

The second report, issued in March, 1932, summarizing the power records of six Presidential possibilities, asserted that not only had the league's previous prediction been amply sustained, but that President Hoover had gone further and had sought to evade or destroy the Federal Power act. In substantiation are given his appointments to the Federal Power Commission and the immediate dismissal by his appointee of Solicitor Charles A. Russell and Chief Accountant William V. King, who had been active in blocking private utility claims for inflated capitalization. The Senate's unsuccessful fight to revoke its confirmation of President Hoover's appointee as chairman of the Federal Power Commission is a matter of record. But the outcry was loud enough to cause Mr. King's reinstatement.

Recent activity of the Federal

Power Commission would tend to indicate, however, that either it is beginning to see a new light or that its critics may have been mistaken. These critics advance a third possibility—namely, that a political need is sensed to offset Governor Roosevelt's policies, and it is suggestive that the activity in question has taken place since the candidates were nominated. In July the commission released to the press an advance abstract of a voluminous report to be issued later sharply critical of holding companies. Later the same month the commission made public its decision in the case of the Mitchell Dam on the Coosa River to the effect that valuation must be based on the cost of properties. The ruling awarded the Alabama Power Company a value of \$6,173,576 instead of its claimed valuation of \$10,646,056. "Capitalizing intangibles," declared Chairman George Otis Smith in the text of his decision, "can only lead to trouble for the investors who may later buy 'securities' at transient or imaginary values."

Thus it will be seen that neither side of a controversy is either all white or all black. Nevertheless, there is in the power issue, as represented by President Hoover and the Republican party, on the one hand, and Governor Roosevelt and the Democratic party on the other, a greater divergence than on any other question. Reduced to simplest terms, President Hoover has never given any indication that he considered that a power issue existed at all, while Governor Roosevelt believes there is a vastly important struggle now being waged between the private and the public interest in which the public interest requires a protection which it has not hitherto received.

Britain Charts a New Course

I—The National Government's First Year

By FRANCIS W. HIRST

[The writer of the following survey of events in Great Britain during the first year in office of the National Government was editor of the *London Economist* from 1907 to 1916, and is author of a number of works on economic, political and historical subjects, including a life of Thomas Jefferson.]

ON Aug. 24, 1931, the following official statement was issued from 10 Downing Street: "The Prime Minister this afternoon tendered to the King the resignation of the Ministry, which was accepted by His Majesty, who entrusted Mr. Ramsay MacDonald with the task of forming a National Government on a comprehensive basis for the purpose of meeting the present financial emergency. Mr. Ramsay MacDonald accepted the commission, and is now in conference with Mr. Stanley Baldwin and Sir Herbert Samuel, who are cooperating with him in the constitution of such an administration."

To understand the situation and the important consequences which followed, we must remember that owing to the decline of trade and the rapid growth of unemployment, Mr. Snowden's budget estimates were rendered inaccurate. Expenditure was rising and revenue falling. The Labor party as a whole was bent upon increasing social expenditure, and was strongly adverse to any drastic forms of economy. An independent committee, called the May Committee, after the name of its chairman, had been appointed in February on the motion of Sir Donald Maclean, a Liberal member of Parliament, to report on

the financial position, and to make recommendations. The political crisis which led to the fall of the second Labor Government, after two years in office, resulted from the report of the May Committee, published on July 31, the day of the adjournment of Parliament. The report reviewed the national expenditure. It estimated that the next budget would show a deficiency of no less than £120,000,000, which would have to be made good either by additional taxes or by economies or by both methods. To meet this impending deficit, the majority report proposed an immediate saving of £96,000,000, including reductions in public assistance to the unemployed amounting to £66,000,000.

Public opinion was profoundly stirred by these sensational disclosures; nor were the prospects of the government improved by the fact that the two Labor members of the May Committee disagreed with the economy proposals and held that the budget ought to be balanced by imposing additional taxation on holders of fixed incomes. Mr. MacDonald summoned an economy committee of the Cabinet, and discussed the situation with Mr. Baldwin and Sir Herbert Samuel.

All seemed to be going satisfactorily until, on Aug. 20, the Cabinet committee met the General Council of the Trades Union Congress and the Executive of the Labor party. The Prime Minister and Philip Snowden, who was Chancellor of the Exchequer,

found that they could not carry even the majority of their party Executive with them. The refusal of the council of the trade unions to agree to any reduction of the social services and of the unemployment benefit was decisive. Mr. MacDonald was deserted by most of his Cabinet colleagues, but with the support of the Conservative and Liberal parties he decided at the King's request to form a National Government to deal with the national emergency, and above all, to balance the budget. On Aug. 25 a small Cabinet of ten Ministers was formed, consisting of four Labor Ministers, four Conservatives and two Liberals.

Approval of the National Government was expressed at meetings of both the Conservative and Liberal parties on Aug. 28. On the same day the Labor party decided to oppose the government, and elected Arthur Henderson as its leader in place of Ramsay MacDonald. Great as were the personal influence and prestige of Mr. MacDonald and Mr. Snowden, it soon became obvious that they could hope to carry with them only a small number of their regular adherents. The whole power of the party machine was immediately turned against them, and the issue of national economy and retrenchment as against the policy of an increased and increasing social expenditure thus became the main political issue, and remained the predominant consideration in the minds of the people until after the general election.

Discredited by its extravagance, the Labor Government fell because, when the crisis came, it could not agree, even with the promised support of the other two parties, to take the steps necessary to retrieve the financial situation. Mr. Snowden's repeated warnings had been disregarded, and for the next few weeks his powerful advocacy of economy and biting criticisms of his old colleagues for running away and evading responsibility made him the outstanding political figure and

the strongest support of the National Government.

The Prime Minister meanwhile issued assurances that the new government was not a coalition government, but a government of cooperation for the one purpose of dealing with a national financial emergency. "When that purpose is achieved," he declared, "the political parties will resume their respective positions."

As the new government had a sufficient majority in the House of Commons to carry all the measures necessary to meet the emergency and balance the budget, there was no obvious need for a general election, but on this subject there soon arose a sharp division of opinion in the Cabinet. The Conservatives desired it, because they could not carry a general protective tariff through the then existing Parliament, and hoped, with their superior organization and ample funds, to gain their grand objective by an early appeal to the country. The Liberals, on the other hand, being unprepared and ill-supplied with either candidates or money, were equally anxious to postpone the election, both for party reasons and because they feared that a Conservative victory would be fatal to free trade, just as a Labor victory would be fatal to public economy.

Parliament was summoned to meet for an emergency session on Sept. 8, 1931, and the new government found itself with a normal majority of about sixty over the Labor opposition. It promptly introduced and carried a national economy bill, calculated to save some £70,000,000 a year, and a second budget with additional taxation. Since the report of the May Committee, the outlook had darkened, and Mr. Snowden, who remained Chancellor of the Exchequer, now estimated that a further sum of £170,000,000 (almost equal to the whole pre-war budget) must be found to balance revenue and expenditure in the next financial year, 1932-3.

A large part of the prospective

deficit — some £70,000,000 — resulted from the Cabinet's determination to stop all borrowing for the unemployment insurance fund and road fund, but this was met by reductions of expenditure. The Chancellor of the Exchequer also reduced the sinking fund. But so great was the prospective shortage of revenue that he still had to find by taxation over £40,000,000 to balance the 1931 budget, and over £81,000,000 to provide for the budget of 1932. This was achieved, without introducing any new protective duties, mainly by additions to the income tax and to the customs and excise on beer and tobacco. These drastic proposals were received with a mixture of stoical resignation and patriotic enthusiasm by the majority in Parliament and by the nation at large, which felt that strong measures were needed to support the public credit.

Although the fall in prices and the great reduction in the cost of living since 1925 more than justified the 10 per cent cut in unemployment benefit as well as in the salaries and wages of many thousands of public servants, Labor leaders calculated that these economies would exasperate millions of poor people, and possibly enable the party to win the election. Accordingly, they voted against the second reading of the national economy bill on Sept. 14, and against the second reading of the budget on Sept. 23. Their campaign in the country was conducted on the same lines; and on the eve of the general election the Labor leaders announced that if they were returned to power they would restore all the cuts in unemployment benefit and wages as soon as possible.

Nor has their attitude changed in the new Parliament. On June 23, 1932, Mr. Lansbury, speaking for the Opposition, as leader of the Parliamentary Labor party, said: "We do not believe and we do not accept the doctrine that economy is a remedy for the present state of affairs." In fact, their remedy for bad trade and unemployment

is not less expenditure and less taxation but more expenditure and more taxation, though the taxation they have in view would be imposed wholly on the rentier class.

Among the considerations advanced by Mr. MacDonald and other leading supporters of the National Government to justify sweeping retrenchments of national expenditure was the danger that the country might be driven off the gold standard, in which case they said the pound might easily lose half its value, and the position of the unemployed and government servants would then become much worse than if they had submitted to comparatively mild reductions of 10 per cent in their incomes. But this argument was shattered by events. The financial debacle in Austria and Germany and a rapid spread of bankruptcies and defaults in other countries had sent a shiver of nervous distrust all over the world; and the news that the British budget was unbalanced, along with the continuous drain of gold to New York and Paris, was shaking international confidence in even the Bank of England. Would its resources be adequate to its commitments and obligations? An affirmative answer to this question might have been expected after the formation of the National Government and the balancing of the budget. Large gold credits were then opened and placed at the disposal of the Bank of England by New York and Paris.

But suspicion was not wholly allayed. Exaggerated fears of the strength of Labor and other disturbing rumors induced more and more gold withdrawals from London until, on Sunday, Sept. 20, the government, on the advice of the Governor of the Bank of England, decided to suspend the bank charter act and abandon the gold standard. The gold standard amendment act was passed through all its stages and became law on the following day, Sept. 21. This unexpected blow caused general con-

sternation, and for a few days Britain reeled under the shock. But the consequences proved less dreadful than was anticipated, and the moderate rise in prices—never more than 10 per cent—soon began to operate to the advantage of British trade, acting as a stimulus on exports to gold standard countries and as a check on imports. In this way the unfavorable balance of trade, or rather of payments, began to be redressed, and before the end of the year a substantial reduction took place in unemployment.

Meanwhile, Mr. MacDonald yielded to the demands of his Conservative colleagues for a general election, and the polling took place on Oct. 27, 1931. By that time confidence had been restored and trade was improving. The Liberal party was heavily handicapped by lack of candidates and funds and by the secession of Mr. Lloyd George, who announced from his sick bed that he could not support the National Government, and advised free traders to vote Labor.

But as the program of the Labor party involved a return to extravagance, with still higher taxes, nationalization of banks, inflation and a system of quotas on imports and exports, which might prove worse than tariffs, Mr. Lloyd George's advice was generally disregarded, and in the greater number of constituencies where the Liberals had no candidates they either abstained from voting or voted for the Conservative nominee.

To understand the results it should be observed that the one-member constituency is not adapted to a three-party system. To remedy this, since the war proportional representation has been urged, but the Labor party always refused to support the change, and consequently it could not complain of the result. The Conservatives raised their strength in the House of Commons from 263 to 471; Labor fell from 264 to 52; the Liberals rose from 58 to 72, and Mr. MacDonald's Labor supporters, called National Labor, de-

clined from 15 to 13. There was a great change-over of votes, but a still greater one in representatives, and the new Parliament is a caricature of electoral opinion. A Labor member represents 144,000 voters, a Liberal only 38,000 and a Conservative only 28,000.

Undoubtedly the main issues which decided the election were finance and economy. The majority voted against the Labor program because they believed that its acceptance would entail public bankruptcy. Although most of the Liberal candidates favored free trade and most of the Conservative candidates protection, this issue was comparatively in the background, because neither the Prime Minister nor the Conservative leaders asked for a mandate to impose a general protective tariff. Thus, on Oct. 20, Mr. Baldwin, describing the fundamental issue at Leeds, said: "It is not free trade; it is not protection"; and Neville Chamberlain, speaking at Dudley on the day before the poll, promised a careful and impartial examination of the fiscal question, and reassured Liberal voters by saying: "You have not got to decide tomorrow whether you are going to have a tariff or free trade." The Liberal leaders in their manifesto declared their opposition to protection, and Mr. Snowden insisted, in a broadcast on Oct. 17, that a Conservative majority would not justify "a radical departure from our established fiscal system."

But the huge majority of Conservatives in the House of Commons proved to be overwhelmingly protectionist, and the Prime Minister no doubt felt that he could not maintain his position unless he adapted himself to the new Parliamentary situation. He had, moreover, introduced into the Cabinet two distinguished Liberals—Sir John Simon as Foreign Secretary and Walter Runciman as President of the Board of Trade—who had already indicated their willingness to accept a tariff for revenue or a tariff to

check imports for the purpose of balancing trade. At the same time, on Mr. Snowden's acceptance of a peerage, Mr. MacDonald had transferred Neville Chamberlain, a convinced protectionist, to the Exchequer.

The new Parliament opened on Nov. 10, and on Nov. 16 Mr. Runciman announced a bill to restrict temporarily "abnormal importations" by means of high customs duties. His chief argument was that foreigners were trying to forestall tariffs by dumping their goods in advance, and were thus upsetting the balance of trade and endangering sterling. Under this act the Board of Trade promptly issued three orders between Nov. 25 and Dec. 11, imposing duties of 50 per cent on many classes of manufactured articles, such as pottery, glassware, cutlery, tools, typewriters, woolen, linen and jute manufactures and various other textile goods, hosiery and chemicals. Another act imposed temporary duties up to 100 per cent on early fruit, vegetables and other horticultural products, under orders drawn up by the Ministry of Agriculture. All these import taxes were highly protective and soon led to retaliation, chiefly by means of quotas on British coal and exchange restrictions by France and other countries.

Many free traders complained bitterly that these measures were hurried through without any such impartial examination as had been promised. Most economists, including Mr. J. M. Keynes, who had proposed a revenue tariff earlier in the year, opposed them as unnecessary now that the country was off the gold standard. But even among Liberals quite a number were impressed by the argument that these were only temporary measures designed to reduce imports in a time of emergency in order to support sterling and to prevent a depreciation of the paper pound, which had been fluctuating at levels considerably below gold parity.

But the next and by far the most important of the government's tariff measures, the import duties bill, aimed at a permanent reversal of the fiscal system of the country. It was admittedly protectionist, though it was also supported as a means of raising additional revenue for the purpose of relieving income taxpayers.

After prolonged discussion in the Cabinet it proved impossible to induce the four free-trade stalwarts—Snowden, Samuel, Sinclair and Maclean—to assent to the bill, and they consequently tendered their resignations to the Prime Minister. As this would have meant a very serious blow to the National Government, involving the withdrawal of the support of the Liberal party, Mr. MacDonald and Mr. Baldwin devised a novel constitutional expedient. They offered their dissentient colleagues, with the approval of the whole Cabinet, the right to speak and vote against the government's fiscal policy. This offer was accepted on Jan. 22, 1932, and the arrangement became known as the "agreement to differ." Though it offends against long tradition and the Cabinet practice of generations of British statesmen, it has worked much better than might have been expected, and free traders were on the whole well satisfied when their opposition to the new protection was expressed in powerful and uncompromising speeches by Viscount Snowden in the House of Lords and by Sir Herbert Samuel and Sir Archibald Sinclair on the government front bench in the House of Commons.

The import duties act imposed a general ad valorem duty of 10 per cent on all imports except wheat and meat, and a number of essential raw materials, not including timber, but including newsprint, in order, no doubt, to avoid the opposition of newspaper proprietors. A second and temporary exemption was given to Empire products; a third to goods

already dutiable, and a fourth to goods consigned to shipbuilding yards. Perhaps the most objectionable feature of the measure was the establishment of an advisory committee of three. This new authority was empowered to recommend additional duties, under Treasury orders, to be confirmed afterward by the House of Commons. The colonial exemptions were to terminate on Nov. 15, 1932. The act also contained reciprocal or retaliatory bargaining clauses, allowing duties to be lowered in favor of or raised against a foreign country.

During the debates the free list was enlarged. The second reading of the measure was carried on Feb. 16 by a majority of 453 to 75. About half the Liberal members supported the government, though the Executive of the National Liberal Federation declared its unqualified condemnation of the bill.

Meanwhile, the course of events abroad was not propitious. The Japanese were fighting against the Chinese in Manchuria and Shanghai. The Indian boycott, Kreuger's suicide and de Valera's repudiation of Irish debts to Britain, added to the general international chaos of tariffs, quotas and exchange restrictions, were all darkening the political and financial sky. Yet, even so, Neville Chamberlain's budget on April 19 brought bitter disappointment. In spite of the new revenue from customs he refused any concessions to income taxpayers, and, in face of loud Tory complaints, he maintained the beer duty as it had been fixed by Snowden.

Tested by trade and unemployment, the results of what has been described as the "great experiment" in protection have so far been unsatisfactory to those who have always held, since Joseph Chamberlain made his first tariff reform proposal in 1905, that protection would bring prosperity to British industries. Comparing the first half year of British overseas

trade in 1932 with 1931 we find a reduction of about 14 per cent in imports, of 6 per cent in British exports and of 18 per cent in re-exports. When we turn to the statistics of unemployment we find that in 1931 the numbers of unemployed in Great Britain rose rapidly to a peak figure of 2,811,000 on Sept. 21, when the gold standard was abandoned, and declined to 2,509,000 on Dec. 21. On March 21, 1932, the total number of unemployed was 2,567,000, but thereafter the number rose month by month, until on July 25 it had reached again the high record of 2,811,000, which had been registered in the previous September.

The course of commodity prices has been surprising. At the end of June, 1931, the *Economist* index number stood at 87. After the gold standard was abandoned the number rose to 90 in December, 1931. But six months later, in June, it had fallen below 81, and was consequently more than six points lower than a year before, in spite of the depreciation of sterling. This result is, of course, due to the great fall in gold prices, which more than outweighed the fall in the par value of the pound from \$4.86 to \$3.60 on June 30, 1932. The fluctuations of the sterling and dollar exchange have been fairly wide, but their violence has recently been modified by the operation of a stabilization fund, instituted for that purpose by the government.

Not less important than the movements of sterling and of the foreign exchanges has been the alteration in the price of money. The London bank rate, after standing at 6 since Sept. 21, 1931, was reduced in February, 1932, to 5 per cent, and by successive reductions to the very low rate of 2 per cent at the end of June. The rapid lowering of the short loan and discount rates has been a feature of the present year. It is due partly to bad trade, partly to the absence of any

pressing demand for gold. The recent open-market rate of discount has been less than $\frac{3}{4}$ per cent, an extraordinarily low record. Happily, cheap money, though it has not stimulated trade, has helped to bring about a remarkable rise in gilt-edged securities. From 54, the lowest figure of the year, the old $2\frac{1}{2}$ per cent Consols had risen by the end of June to 71, while the 4 per cent Funding Loan advanced from 83 to 107. These favorable circumstances were seized by the Chancellor of the Exchequer, and on June 30 he announced a gigantic scheme for converting £2,000,000,000 of War Loan from 5 to $3\frac{1}{2}$ per cent. This operation, coinciding with the Lausanne agreement, which practically settled German reparations, was responsible for a general improvement

on the London Stock Exchange and on the Continental bourses, and the great advance in British gilt-edged securities was immediately followed by a boom in Wall Street and a considerable rise in commodity markets. With these signs of improvement, our review of events may conclude with a hope of brighter prospects for world politics and world trade, which may be realized, if all goes well, at the forthcoming economic conference in London.

The results of the Ottawa Conference were not fully known when this survey was written. They will be judged by British business men by a simple test: Will they increase the volume of Britain's external trade, and will they be followed by good commercial treaties with other countries?

II—Imperial Conference Results

By J. BARTLET BREBNER

THE Imperial Economic Conference, which concluded its labors at Ottawa on Aug. 21, might be summed up with reasonable accuracy by saying that the British delegation succeeded in preventing the Dominions from involving the empire as a whole in internationally dangerous policies. Perhaps the cool, rather grim, N. C. Havenga of South Africa should be added to the group of wise men, but in general the Dominion representatives, with one eye on their own electorates and the other on the unanimous disinclination to admit failure, were guilty of far too much futile bluffing and "demands" for impossible novelties in the way of helpful British economic policies.

To begin with, there was a certain amount of impracticality, of both British and Dominion origin, to be cleared out of the way. The most persistent demand, that for free trade

within a tariff-protected empire, as proclaimed by Lord Beaverbrook and his busy acolyte, the unofficial British delegate, L. C. S. Amery, was quietly ignored, except for a tongue-in-the-cheek reference to it by Mr. Baldwin before he left England. It obviously had to be ignored by constituents of an empire who have never in recent generations been able to find anything like sufficient markets within the empire.

Similarly, it was early seen to be impossible to frame one comprehensive commercial agreement to embrace the whole empire. In the seventeenth and eighteenth centuries England maintained on paper, if she never operated in fact, a system under which, by embargoes, bounties and preferences, her rôle was to supply the bulk of the manufactured goods and that of the colonies was to provide raw materials. Thirteen of the

American Colonies revolted in 1775 against the effort to make that design a reality, without any effect on British policy until, by becoming a free-trade country between 1830 and 1850, Great Britain herself relinquished the scheme. But the idea was revived just before 1900, so that when Great Britain abandoned free trade last Winter, there were many who had come to believe that the seventeenth century design, with modifications, might serve present-day purposes very well. That hope was dashed at the Ottawa Conference when its supporters were brought up against the fact that all the Dominions (most notably Canada) were now industrialized to such a degree that they were themselves seeking what the Marxians call "colonial" markets for their manufactured goods.

The various proposals for an empire bank and currency and for bimetallism were consigned to the decent obscurity of a special committee. South Africa was resolutely on the gold standard, Canada was half on and half off, and the others were distinctly off. In Canadian funds, for instance, the South African pound (old parity \$4.86) was worth \$5.52 and the Australian, \$3.27. Moreover, the British pound, to which, presumably, the other currencies would be linked, was unstable, and the Bank of England and the British Treasury were publicly buying gold and foreign exchange to be ready for some future resumption of the gold standard. All the Dominions wanted a stable sterling and Great Britain admitted its desirability, but domestic conditions of great weight made it impossible at the moment. Probably the most forceful argument against a single Empire currency was its inadequacy, in the light of the fact that Great Britain and the Dominions traded more with the outside world than with one another. Bimetallism, in which Canada and India were chiefly interested, was consigned to the limbo of aca-

demic argument. The raising of commodity prices, while desired by all parties, could be based only upon a consolidated monetary policy, dependent upon a close approach to absolutely stable exchange relations. Moreover, many of the commodities concerned were priced in gold rather than in sterling because they competed in world markets as well as being consumed in Great Britain. Consideration of their price level, therefore, had to be reserved for the world economic conference.

When these and some less important proposals had been disposed of, the conference set to work to make the best economic bargains that could be made bilaterally among the nine parties. Although Great Britain, Canada, Australia, New Zealand, South Africa, the Irish Free State and Newfoundland alone formally ranked as Dominions, India and Southern Rhodesia, who aspired to that status, were also represented, and bargaining among them in pairs went on throughout the conference.

Naturally enough, Great Britain was sought out first by each of the other parties. She represented a solid, dependable market immensely larger and richer than that of any other except India. In addition, that market, which had been free for almost a hundred years, had just been protected by tariffs whose operation against the Dominions was in suspense only until Nov. 15, 1932. On the whole, therefore, and in spite of the tariff war which had already begun between Great Britain and the Irish Free State, the British delegation was rather more in the position of receiving requests for favors than of asking them. It was true (and the other Dominions knew it) that the British Government had an urgent mandate from its electorate to make every effort toward greater imperial economic cooperation, and that Great Britain was in imperative need of markets, but events revealed that she had the

strongest position as well as the strongest delegation.

It was difficult not to sympathize with such Dominions as Canada, South Africa and Australia, even when their embarrassments goaded them on to patently extreme demands. Canada as a producer of raw materials was completely disillusioned with her natural market in the United States because of the ruthless way in which it had been progressively closed to her. The British market, once relatively abandoned, seemed a providential substitute, but it was felt that transportation costs and other circumstances made competition there with Scandinavia and the Soviet Union difficult if not impossible. The situation seemed to call for substantial preferences, but British preferences had to be met by a Canadian concession in regard to manufactured goods. Against that were marshaled all the lobbyists, not only of purely Canadian industries, but of American branch factories as well, and these groups were the most dependable contributors to political party funds. Mr. Bennett, the Canadian Prime Minister, therefore, spent his days in alternate appeals to British and Canadian imperial sentiment, with Russia as the bogey to frighten both. The British, who trade with Russia for the sake of a market for their manufactures and because their economic plight forces them to buy the best goods at the best price, were not as impressed as the Canadians, who, at Mr. Bennett's behest, maintain an embargo on Russian products.

The position of Australia (and of conciliatory New Zealand) was somewhat similar, with meat, wool, wheat and dairy products seeking a British market against Argentine and Scandinavian competition. South Africa felt the force of the same situation, but her retention of the gold standard made her position a complex and special one. Unlike Australia and New Zealand with their depreciated cur-

rencies, she profits on her debt payments to Great Britain, but again unlike Australia and New Zealand, South Africa's primary producers can sell wool and other farm products abroad only when the government pays a 20 per cent export subsidy. Domestic political considerations in South Africa made retention of the gold standard important to the nationalist policy of the party in power, with the result that Mr. Havenga used the stability of gold as a sort of platform from which he gravely condescended to consider Great Britain's economic plight.

Two or three times during the conference there was the threat of a united Dominion front against Great Britain's refusal to raise her tariffs and thus increase the preferences on Dominion natural products. Canada and Australia were both interested in wheat; Australia, New Zealand, South Africa, Canada and Southern Rhodesia had a common interest in meat and meat products; New Zealand, Canada and Australia had surpluses of dairy and poultry products. The hope which bound the Dominions in temporary alliances was in each case that thereby they might force the United Kingdom to discriminate in their favor against some such important rival as Argentina for meat and wheat, or Denmark for dairy and poultry products.

The British delegation refused to be stampeded. New Zealand was anxious to be cooperative. Australia always had her maturing sterling loans in mind. South Africa, if realistic, was also reasonable. Gradually Canada was isolated and chose to use the appeal against Soviet Russia as her weapon. She felt, or anticipated feeling, the competition of Russian lumber and wood products, wheat, canned fish and non-ferrous metals. Against the prices set by a State-controlled export monopoly she clamored for an embargo, but when Great Britain, South Africa and the

Irish Free State insisted on continuing their commerce with Russia, Canada was left alone and finally defeated.

Great Britain had some requests of her own, which might be reduced to two—lower Dominion tariffs on certain manufactured goods and stable tariffs with changes in customs machinery. Neither case needed much argument. Preferences, that is, fractional exemptions, could mean little if tariffs were very high. Dominion industry, and in the case of Canada American branch factories, could always escape the competition of British goods if Dominion governments could be induced to set the rates high enough. The British delegation consistently asked for conditions of fair competition for its home industries, and the Dominions for a long time evaded the issue in every possible way. Some of them, notably Australia, South Africa and Canada, had customs machinery of an intricacy which made the rates seem quite capricious. It was not merely a question of a tariff rate, but of flexible schedules, primage duties, excises and anti-dumping duties as well. The British asked for simplicity and certainty, for an end to anti-dumping valuations of goods and sterling, for even competition with established Dominion industries and for free entry of British goods not manufactured in the respective Dominions. These requests were for more than the Dominions could grant.

It was freely predicted that the conference would disrupt rather than unite the empire, but such was not the outcome, for differences were open enough to make compromises possible and agreements were reached, the core of which was provided by Great Britain in the form of seven bilateral treaties with Canada, Australia, New Zealand, South Africa, Newfoundland, India and Southern Rhodesia, respectively.

These treaties were similar in form, but almost all reserved the publication

of certain schedules of goods to avoid forestalling until the respective legislatures should have ratified them. In effect, Great Britain adhered to her low tariff policy, but exempted the natural products of the Dominions from its operation, thus giving them an approximate advantage of 10 per cent in her market. Only to this extent are their foreign rivals at a disadvantage. Great Britain thus positively affirmed her belief that the only way to protect her investments in such countries as Argentina and Russia is to continue to buy goods from them. In the case of India certain manufactured and semi-manufactured articles were given preferences as well.

In order to create these Dominion preferences Great Britain had to promise some new tariffs, notably on food, hitherto exempted in the sacred name of the "free breakfast table." Wheat was subjected to a duty of 3 pence (6 cents) a bushel; an agreement was made to regulate the importation of foreign meat by an unrevealed method, and tariffs were imposed on butter, cheese, fruit, eggs, condensed milk and honey. The restrictions on the entry of Canadian live cattle was to be practically removed. A tariff of 2 pence (4 cents) a pound was put on copper and the promise given to Canada that the tariff of 10 per cent *ad valorem* on foreign timber, fish, canned fish, asbestos, zinc and lead would not be reduced except by Canadian consent. Canada was also promised that her advantages would not be frustrated by competition from foreign State-controlled price-fixing and dumping. Great Britain was committed to wholesale protection as long as the agreements should last, but she lived up to the conception that the rates should be competitive instead of prohibitive.

In return the Dominions conceded real preferences to competitive British manufactured goods and free entry

to some non-competitive goods, but the particulars were not publicly specified. All the Dominions are in financial difficulties and dependent on tariffs for revenue, but even where their concessions were tentative they were skillfully worded to give Great Britain the moral right to fair competition. Canada, for instance, promised to set up a tariff commission and granted British manufacturers an equal right with Canadians to make representations before it. British coal, iron, steel, chemicals, glass, cutlery, china, textiles and shoes were to be given an advantage over non-British competitors and the beginnings of a fair chance against Dominion industries.

The treaties are to run for five years and thereafter, except on six months' notice from either party, but there are two highly significant provisos. At the end of three years Great Britain may investigate the results of free entry of Dominion foodstuffs in the light of the interests of British producers, and, if necessary, either impose a preferential duty or set up a quota system. In addition the duties (and preferences) on wheat, copper, zinc and lead may at any time be canceled if Dominion producers cannot provide them in sufficient quantity "at prices not exceeding the world prices."

The British scheme is thus highly ingenious, generally in accordance with British policy, and more generous than the Dominion responses could be. The British consumer, whether of food or of raw materials, and the British farmer are protected against exploitation by sheltered Dominion competitors. The Dominions receive a stable, large market for their natural products as long as they deserve it. In these days of high tariffs no foreign nation can complain of a 10 per cent British tariff. No embargoes and no discrimination open to foreign protest have been resorted to. If the Dominion concessions are

somewhat vague, they are at least based on clearly stated treaty rights.

One provision of the British treaties, which has its significance in the light of what was said earlier about the industrialized Dominions seeking "colonial" markets, attracted almost no outside comment, but seems likely to have increasing importance. Great Britain pledged itself to "invite the governments of the non-self-governing colonies and protectorates to accord to" the Dominion concerned "any preference which may for the time being be accorded to any other part of the British Empire," and further, to accord to each Dominion certain "new or additional preferences" on commodities and at rates contained in an unpublished schedule. This is a most striking example of the adaptability of what for want of a better term must still be called British "imperialism."

In addition to the British bilateral treaties Canada made new treaties with the Irish Free State, South Africa and Southern Rhodesia, set about revising her existing treaties with Australia and New Zealand and started negotiations for a treaty with India. South Africa was reported also to have made a treaty with the Irish Free State. These treaties fall in the "complementary" category, with preferences in various commodities and manufactured goods to the party which can develop and justify some branch of export complementary to the economy of the other. The Irish Free State, at economic war with the United Kingdom, would have been glad to make several such treaties. She granted Canada her lowest tariff rates and received in exchange the British rates for Canada.

From an international point of view Great Britain has kept her bargaining power. She found occasion to remind foreign countries that she is still interested in breaking down tariff barriers to trade. Even the difficulties of most-favored-nation treaties,

it was thought, might be circumvented in cases where Great Britain could discover a foreign country which possessed productive advantages which would give it a monopoly of some export to Great Britain, if allowed to do so.

It is impossible to estimate at all exactly the effects of the Ottawa agreements on the world in general. What was achieved seems to indicate that for 25 per cent of the world's population it is possible to check, even to push back, the world drift toward higher tariffs and national isolation. Trade is bound to be loosened up for Great Britain and the Dominions, and any added prosperity on their part must have broader repercussions, for they all trade extensively outside the empire. In so far as the Ottawa agreements create larger imperial markets at the expense of foreign countries, there will be a shift instead of an increase in international trade. Great Britain, for instance, hopes to supplant the United States in Canadian markets with such products as coal, iron and steel, chemicals and other commodities in amounts estimated at all the way from \$50,000,000 to \$250,000,000. Canada hopes to supplant two-thirds of the normal exports of the United States to South Africa. Scandinavia, Finland, Latvia and Russia are going to face real competition in the British market for timber. No one can predict the results.

One unexpected result of the conference was its concern with shipping in the Pacific. The United States has heavily subsidized its own mercantile marine there and given it an extraordinary advantage by ruling that San Francisco to Hawaii is coastal navigation and closed to foreigners, whereas the analogous New Zealand-Australia run is open to the world. This situation was formally described by the conference as "dumping of

services," and an imperial committee is to meet in London to consider means to combat it.

Another serious problem which, though unsolved, is likely to continue to receive close attention is that of the percentage of empire content in goods which entitles them to receive preferences. Canada was closely associated with an effort to have this amount gradually raised from the present 25 or 50 per cent to a uniform 75 per cent. Great Britain asks for only 25 per cent and opposed the move from disinclination to disturb the United States, but the most effective reinforcement to the opposition seems to have come from the American branch factories in Canada, which boldly threatened to shut down.

The Irish Free State played almost no part in the conference, because of its tariff war with the United Kingdom. The Irish representatives showed great tact, which was well reciprocated. In fact, so many conversations and "card parties" included both the Irish and the British representatives that there was some reason for believing that a settlement of the dispute was being engineered. Mr. de Valera, however, yielded no indication that such was the case, in spite of the fact that neither at Ottawa nor elsewhere had he found a substitute for the British market.

Since many of the specific concessions are still unrevealed, it is possible to take almost any total view of the results of the conference, none of which can as yet be substantiated. Certainly it has provided numerous opportunities for future bickering among the constituents of the British Empire. Yet the very fact of their having resolutely grasped all the economic nettles that were in sight has a healthy atmosphere about it in our world-wide miasma of timorous but stubborn economic nationalisms.

Hope for the American Theatre

By ALEXANDER BAKSHY

[Mr. Bakshy is a well-known writer on the art of the theatre and the motion pictures. Among his published books are *The Path of the Modern Russian Stage* and *The Theatre Unbound*.]

THE theatre in America is manifestly in a state of profound disturbance. Not only is it suffering from the financial straits brought about by the economic crisis, but its very foundations have in places given way and threaten to collapse with the entire elaborate structure which they have supported for the past thirty years.

At least, unless the wish is father to the thought, such is the situation as it appears to one who is unable to shed any tears over the plight in which Broadway finds itself, but rather regards it as the most promising thing that has as yet happened to the drama in America. There can be no doubt, indeed, that there is everything to be gained from the disintegration of the interests, and particularly of the big business interests, that have been holding the drama in their grip. In spite of an occasional production like *Street Scene*, *The Green Pastures*, *Chicago* or *Of Thee I Sing* thrusting its way to the Broadway footlights, the purveyors of stage attractions have done their utmost to bring the dramatic art of the country to a condition which makes of it merely an article of commerce, manufactured by methods of mass production, and palmed off on the consumers with as little regard for the finer artistic values as they can be made to endure.

It would be absurd, of course, to fasten the responsibility for this state of things on the individual producer. He is obviously helpless to alter it,

faced as he is with a system that has taken root not only among those professionally engaged in what is called the show business but among the general public as well. Yet the system itself stands condemned, and whether it breaks down completely under the stress of the economic crisis or manages to withstand it, its present weakness has already brought into play a number of forces which may gradually replace the old structure by one more consciously in accord with the spirit of a vital and creative drama.

It is not to be thought that the economic crisis is the sole cause of the present condition of the American theatre. For many years there had been processes at work which had been slowly changing the character and scope of the show business and its relative position in the life of the country.

One of the first and most important of these processes has been the rapid growth of the movies, which brought dramatic entertainment of a kind to a vast multitude of people who had never before been reached by the theatre proper. Even at the height of the theatre's popularity, let us say some twenty years ago, its 2,000 houses throughout the United States were able to draw an average weekly attendance that, at a liberal estimate, could not possibly exceed 10,000,000 persons. Contrasted with this, we have the weekly attendance at the movies which, in 1922, averaged 50,000,000 persons, and in 1930 reached the figure of 110,000,000 persons, served in the latter year by more than 20,000 movie theatres.

An audience of these proportions,

largely half educated, with a limited experience of life and the world, and eager for an emotional escape from uneventful existence, presented a phenomenon new in the history of dramatic entertainment. The ease with which this audience could be pleased, either because of its ignorance of better entertainment or because it considered the entertainment it received as fair value for the small amount of money it could afford to spend, resulted in a meretricious art which, in its turn, debased public taste. Worse still, this shoddy art imposed itself even on those sections of the public which originally were the mainstay of the acted drama of the stage.

Unquestionably, in the struggle between the movies and the theatre the advantages of superior resources and public support were, until recently, preponderantly on the side of the movies. Nevertheless, the disastrous defeat suffered by the theatre, a defeat which left it with New York and a few of the larger cities as the only field for its operations, was the result largely of its own efforts. For a number of years all its activities outside the metropolitan centres, and to a considerable extent in those centres, had been controlled and directed by two powerful organizations controlling two rival chains of playhouses throughout the country and interested in those houses primarily as booking agents and owners of real estate.

Perhaps it is natural for the economic system under which we live that commercial enterprise in the art of the theatre, as in any other field of commercial activity, should eventually concentrate in the hands of a few powerful trusts. From the purely commercial point of view, such a development has obvious advantages and undoubtedly leads to greater commercial efficiency as well as greater profits. Unfortunately, or perhaps fortunately, art and commerce can tolerate one another only in small doses. The more

commerce is mixed with art, the less art is left in the mixture. The activities of the two theatrical syndicates only confirmed this well-known fact. To the syndicates themselves, however, it did not seem so obvious. Nor had they time to think of such trivial matters as art. The important thing with them was to fight one another for the command of "the road"; and as for the quality of the shows they were sending out, it did not really matter how bad it was, so long as the theatres under their control were obliged to accept their choice of attractions and were able to send back handsome profits.

But this happy state of things did not last very long. Up to about 1910 the American public outside the larger cities was well content to accept the traveling shows that came to entertain it, carrying aloft the proud slogan, "Direct From Broadway." The road flourished. As many as 300 companies and frequently more played in various parts of the country at the same time, and more money was made for the producers by these touring companies than was made in New York by the original productions. Then there came a change. From year to year the number of road companies began to decline. Finally there came a time, ushered in by the depression of the last three years, when only the most successful productions on Broadway could muster enough courage to betake themselves to the road. Added to this was the decline of the stock companies, which, from 163 at the peak of the season in 1928, dropped to 63 in the current year. Thus the disappearance of the professional theatre from the hinterland of the country has become very nearly complete.

Excuses are easy to find. Broadway will point to the high cost of production as the reason for the deterioration of the road shows; to the competition of the movies, the automobile, the radio and various other forms of popular diversion as the cause of the

decline in the public support of the theatre. To be sure, there is some truth in each of these reasons, but only a part of the truth. The cost of producing plays has risen to a prohibitive level, but it is Broadway, with its fevered atmosphere of reckless gambling, that has been chiefly responsible for this fact. The competition of the movies and of other forms of entertainment has grown formidably, but it is Broadway again that has played into the hands of its rivals by sending out inferior companies in trashy plays and thus forcing the public to turn its back upon the stage. Having already lost so much ground to its competitors (and the loss includes the very theatres that used to house it), the acted drama naturally finds itself at a greater disadvantage than ever.

Yet, even today, under conditions of widespread financial stringency, it has been repeatedly proved (by the road companies of the Theatre Guild and of a few other producers) that there is still a vast public in the country keenly interested in the theatre and ready to support it. But this public demands a live theatre, plays and acting of conspicuous merit, and Broadway, being what it is, is clearly unable to meet these requirements.

What has been happening meantime on Broadway itself, the dazzling Broadway whose very name was wont to make the heart of the old theatre-goer throb? One finds in the first place that it is no longer so dazzling, for during the past two or three seasons quite a third of its sixty or more theatres have been "dark." Too many theatres, we are told, have been built in New York, and there is not a large enough theatregoing public to support them all. Nevertheless, it can be most emphatically stated that there are plenty of people in New York who would be only too glad to do justice to theatrical fare, provided they could get it at a reasonable price and feel more confident than they usually are that it would be tasty and wholesome.

But banish the idle thought. The wiseacres of Broadway insist that nothing can be done about it. They know that "show business" is an expensive game, that theatre rentals are high, that actors' salaries are high, that stagehands' wages are high, that the cost of scenery is high, and that almost everything else is high. The wiseacres even know that this state of affairs is due chiefly to theatres, actors, stagehands, and so forth, being used or employed on the average only about one-half of their working capacity; in other words, that the high cost of most things deriving their value entirely from the show business is a form of insurance against the inevitable unemployment of both capital and labor.

How is this unemployment to be eliminated when the show business is a gamble in which the prize is a long run, and without "hits" there are no long runs, and without "flops" no "hits"? Accordingly, Broadway is not worried about its permanent unemployment. It is more seriously upset about not having as much money to gamble with in 1932 as it had, for instance, in 1928. In the latter year it was able to have a fling at 201 new productions scoring 167 failures and 34 successes, whereas in the season just past it had to be content with only 157 new productions yielding 134 failures and 23 successes. Broadway's ability to pick successes is not up to the level of even Hollywood.

The trouble seems to be that Broadway shows too decided a preference for what it calls the "popular" or "box-office" play as against what it caustically dubs as "highbrow." Yet it has been conclusively demonstrated that the popular appeal of so-called highbrow plays is vastly superior to that of the plays of the other kind. Here is, for instance, the evidence which has been garnered from the records of the 1929-30 season by Hiram Motherwell, editor of the *Theatre Guild Magazine*. Out of the 169

new productions of that season, 134 were "popular" and 35 "highbrow" plays. While the "popular" plays supplied only 20 "hits" (counting as such productions with a 10-week run or \$10,000 weekly gross takings), the "highbrow" productions, in spite of their numbering only one-fourth, accounted for 14 "hits," or nearly one in every two.

What better proof is needed that in its system of gambling, if it has any system at all, Broadway is disgracefully behind the times in allowing its ancient prejudice against the too conspicuous display of intelligence to stand in the way of its own interests? Indeed, it seems quite incapable of learning from experience. It goes on producing "popular" plays which stubbornly remain unpopular, while it turns a deaf ear or a blind eye (it must be both) to the work of serious and often well-known authors. The testimony on this point of Barrett H. Clark, who is one of the best informed men in the affairs of the American theatre, is conclusive. "I could enumerate the titles of fifty plays," he says, "the work not only of new and unknown writers but men who are famous throughout the country, that have not yet been acted on Broadway."

National drama in this country is the growth of the post-war era. It came into existence mainly through the efforts of young enthusiasts who fostered an art that had its roots in the experience and realities of life. Broadway scorned and ridiculed them, but the enthusiasts went on producing their plays in converted barns and workshops, until by the middle of last decade a new theatregoing public came into being under their influence, a public receptive to new ideas, intellectually alive, if somewhat blasé, and sufficiently large in numbers to make the production of a better type of play on Broadway possible and even profitable. Eugene O'Neill, George Kelly, Sidney Howard, Laurence Stallings, Maxwell Anderson, Elmer Rice,

Philip Barry, S. N. Behrman and several others among the playwrights were able to achieve eminence only because of the response which their work found in the public they and other pioneers had helped to create. Yet in comparison with the total output of Broadway, the plays of these writers still held quite a subordinate place. Their admission to the commercial stage did not require the latter to abandon its standards or change its methods. The old system was still capable of serving those who operated it, and, on the whole, to their satisfaction.

Meantime, the influence of the new drama continued to spread. More plays of an original or unconventional character were written and produced, and increasing numbers of people joined the ranks of those who demanded drama suitable for the adult mind. The economic crisis of the past few years has given this process a new impetus. It has had the effect of shaking the public out of its composure, of weaning it from many of its fetishes and of forcing upon it a more critical view of its life and surroundings. It is sufficient to glance at the list of the more successful productions of this period to realize the wide-spread and profound change of attitude that has taken place among New York playgoers.

A greater number of plays that bore the stamp of close contact with the realities of life was witnessed during the past three seasons than ever before in the recent history of Broadway. Plays that concerned themselves with exploring the problems and perplexities of human experience, or called upon the audience to appreciate the more subtle nuances of dramatic art, were represented by such conspicuous successes as *The Green Pastures*, *Lysistrata*, *The Barretts of Wimpole Street*, *Mourning Becomes Electra* and *The House of Connelly*. In a sense, these plays may be

said to continue the school of dramatic thought that found its expression in the work of the playwrights who initiated the independent movement in American drama. It is a striking evidence of the direct influence of this group of writers that plays of this type should be popular successes on Broadway.

However, from the point of view of the future of American drama, greater significance attaches to another group of popular successes of this period. Some years earlier a band of young writers, bound together under the name of "The New Playwrights," had attempted to inject into the drama the bacillus of proletarian ideology. The attempt failed, because there were few proletarians to support it. In a different, no doubt bourgeois form, the same interest in matters sociological has now found its way to the Broadway stage in a number of popular successes. One may start the list with *Journey's End*, whose sociological inference was rather to be divined than implicit, and note the more explicit *Street Scene*, *The Criminal Code*, *Red Rust*, *The Last Mile*, *Five-Star Final*, *Precedent*, *Once in a Lifetime*, *Counsellor-at-Law*, *Face the Music*, and last, and most significant of all, *Of Thee I Sing*. A pronounced social reference and expressed criticism of social conditions do not necessarily imply an artistic superiority over the plays of the individualistic outlook, though, in passing, one may note that in its flowing counterpoint of action, music and setting, *Of Thee I Sing*, a fascinating and brilliantly clever play, presents the germ of a new and characteristically modern dramatic form.

The important fact about this group of plays, however, is not so much their artistic merit as the new trend in American drama they proclaim and the bearing this may have on the future of Broadway. The popularity of sociological drama, provided

the general conditions of the country continue to stir public interest in social problems, is a portent of new developments in the American theatre. It represents a growth in the ranks of intellectually receptive theatre-goers which extends them far beyond the comparatively small group of the so-called intelligentsia. The masses of the general public are now tasting of the fruit of critical knowledge and an experience derived from contact with real life. Having apparently found it quite to their liking, they are bound to ask for more of the same fare.

But it is one thing for Broadway to provide a few plays of genuine interest, and quite another to let such plays constitute a staple diet. A drama springing from earnest convictions has little chance of growing and flourishing in an atmosphere of frenzied gambling and of unprincipled readiness to sell anything that will bring in money. It seems therefore possible that the general public, failing to obtain what it seeks from commercial Broadway, will itself stimulate supply from a different source. Assured of its support, there will spring into existence many more organizations of the type of the Theatre Guild and the Civic Repertory, and when this happens Broadway, as we know it today, with its manufactured trivialities and cynical contempt for art, will be no more.

This roseate prospect will appear to some as far too remote to deserve consideration and to others as utterly improbable because inspired by obvious prejudice. And yet even today a new development, which has already assumed very striking proportions, is to be observed throughout the United States. In the amazing growth of "Little," "Community," "College" and "University" theatres there is unmistakable evidence of a new force rising to challenge the overlordship of Broadway. According to the information published by Kenneth Macgowan,

such non-commercial theatres are now to be found in as many as 200 cities and college towns. The scope of their activities is indicated by such facts as the employment of some 10,000 actors and the aggregate annual attendance of between 1,500,000 and 2,000,000 persons. Some of them can boast of playhouses that bear comparison with any on Broadway. Nor are these little theatres haphazard, amateurish enterprises constantly threatened with extinction for lack of capital or on account of inefficient organization. The Little Theatre in Pasadena, for example, has a budget of \$150,000; that in Cleveland enjoys an income of \$100,000; and there are many others equally strong in financial resources and business organization.

It is not to be denied that the majority of these theatres depend for their repertory on plays produced on Broadway, and are therefore derivative in their work. Nor can one overlook the conventionally respectable and conservative mentality of the class of people who, supplying the funds for these theatres, are often in control of their policies. But the spread and growing strength of the movement is giving it a tremendous momentum which is bound to carry it over the obstacles incident to the beginnings of all such cooperative enterprises.

Moreover, the great variety of aims, methods and organizations among these theatres, as well as the conditions under which they work, enable some to forge ahead and give the movement the leadership it requires. The more enterprising have indeed already in many instances proved that they lack neither the vision nor the courage to translate their ideals into

reality. The formation of small circuits for the exchange of companies of actors is one such boldly conceived and ably executed venture. Another, which has been started on the initiative and with the assistance of Barrett H. Clark, promises to develop into a major factor in the progress of American drama. The scheme proposes a network of theatres which will provide special facilities for the production of new plays. The University Theatre at Iowa, for example, which only this Summer distinguished itself by an ambitious production of Paul Green's *Tread the Green Grass*, a play that failed to find a Broadway producer, has now engaged Lynn Riggs to be what might be called its court dramatist, during the next season. Such personal engagements, however, are rare. The general practice continues to be to supply plays for production, and it is characteristic of Broadway conditions, that among the playwrights who have agreed to offer their unproduced plays we find such names as Eugene O'Neill, Owen Davis, Sidney Howard, George Kelly, Paul Green, Lynn Riggs and Maxwell Anderson.

Thus we see the beginnings of the decentralization of the American theatre. A new and vast audience is growing away from Broadway influence. Authors are beginning to find opportunities to see their work tried on the stage whether it turns out to be a popular success or not. They are also placed in direct contact with their public so as to learn its reactions and the means of making their work more effective. In sum, the public and the dramatist are coming into their own. The day seems, indeed, not far distant when they will be able to dispense with Broadway altogether.

Current History in Cartoons



1918 and 1932

—Notenkraker, Amsterdam



"Take me back to Wall Street"
—St. Louis Star



"Father, dear father, come home
with me now"
—Louisville Courier-Journal



Uncle Sam—"What's the game, son?"
Little Herbert—"Can't you see I'm
trying to get this darn thing to stay
up the string till November?"

—Glasgow Bulletin



Not making out so well with it
—Philadelphia Inquirer



Some folks don't know what to do
with it when they get it

—New York Herald Tribune

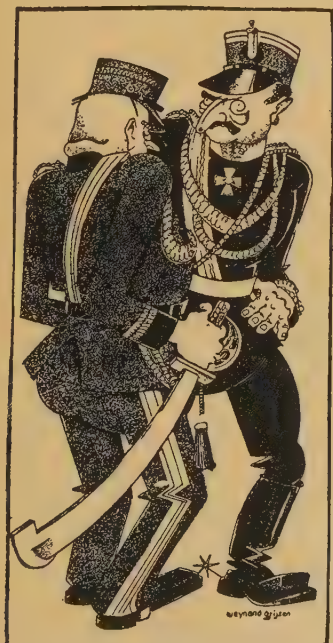


And was it thirsty!
—St. Louis Post-Dispatch



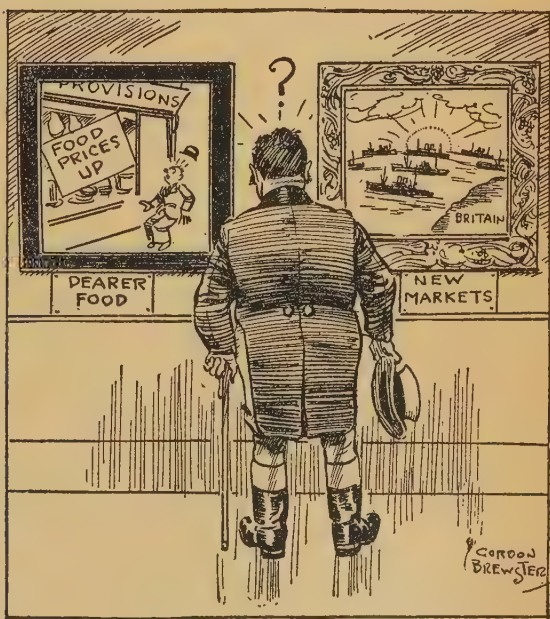
Britain's national government institutes protection

—Glasgow Evening Times



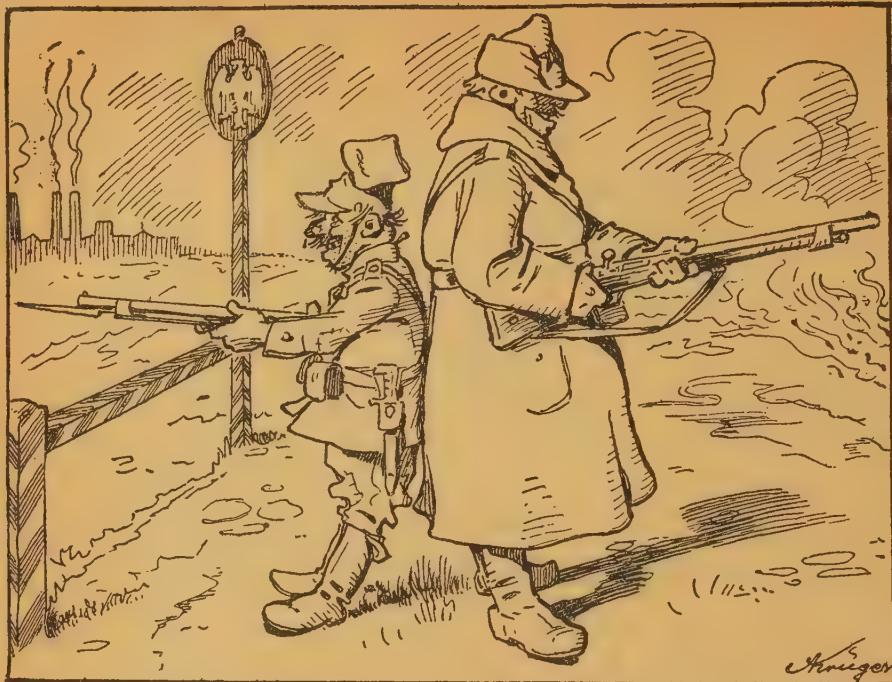
Spanish Monarchists — "The fools think they can govern without us"

—Notenkraker, Amsterdam



Two views from Ottawa

—Weekly Independent, Dublin



THE RUSSO-POLISH NON-AGGRESSION PACT IS SIGNED

Both (*sotto voce*)—"Now I can turn around"

—Kladderadatsch, Berlin



Adjournment—the first unanimous vote of the Disarmament Conference

—Nebelspalter, Zurich



BROWN SHIRTS

"So you've joined Hitler's party?"
"Just to get a shirt"

—Oeuvre, Paris

A Month's World History

The German Move for Arms Equality

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THE demand of the German Government for the revision of Part V of the Treaty of Versailles has brought the question of disarmament to the crossroads. Either the principle of "equality" is to be established, and Germany freed from some of the onerous restrictions of the treaty, or disarmament will become, for a good many years at least, an evanescent dream. Courteously but very firmly the von Papen Government has served notice on the powers that unless its demand for equality of status is met, the German representatives will withdraw from the Disarmament Conference. Without them the success of further deliberations is, to employ a much-abused word, unthinkable. Without the cooperation of all the great powers and their final agreement, any disarmament treaty that could be written would not be worth the paper on which it was spread. Will Germany be granted equality of status? Between now and Jan. 19, 1933, the date on which the conference is to reassemble, a decision must be reached.

Under the military, naval and air clauses of the Versailles treaty, an attempt was made to reduce to impotence what had hitherto been the greatest military power in Europe. In this the craftsmen of the treaty were measurably successful. While the Germans have doubtless been ingenious in availing themselves of every loophole by which their fighting strength can

be increased, we can with safety disregard the fantastic reports of secret arming that have been used to facilitate the acceptance of the armament sections of successive French budgets. Had there been substance in these reports, quite certainly the French Government would have found a way to do something about it. The German Army was reduced by the treaty to seven divisions of infantry and three of cavalry, with a total of 100,000 effectives; the general staff was abolished; material was rigidly limited and certain types (armored cars, tanks, poison gas) were prohibited; compulsory military service was abolished and frontier fortresses were dismantled. The navy was reduced in number and tonnage of ships and in personnel. Armored vessels of over 10,000 tons and submarines were prohibited, and the number of officers and men fixed at 15,000, recruited by voluntary long-term enlistment. Military aircraft were forbidden.

President Wilson, who never lost an opportunity to carry the treaty beyond the period of passion in which it was written, secured from the cynical Clemenceau assent to the inclusion of a preamble to Part V which read: "In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes strictly to observe the military, naval and air clauses which follow." This implied promise was made more definite in the reply of the Allied and

Associated Powers to the German Peace Commission dated June 16, 1919, and in Article VIII of the Covenant. On these foundations all the negotiations for disarmament during the past decade have been built.

Since her admission to the League in 1926 Germany has steadily, and with constantly increasing force, maintained the position that the measures of disarmament imposed upon her were a pattern for the other nations. In and out of season and at the sessions of the Disarmament Conference she has insisted on equality of status, in principle at least, as a condition precedent to any disarmament convention, and has argued that the new treaty must supersede the provisions of the Treaty of Versailles. In this Germany has been supported by the representatives of Austria, Hungary and Bulgaria. Chancellor Brüning, at the opening of the Geneva session, declared that only measures "which strike at the very root of the problem of armaments can achieve the supreme purpose of the conference, which is to guarantee to all States their right to an equal degree of security." With these words he struck a telling blow at the contention of France that security against Germany can come only through a preponderance of armament. During the conference itself only the most perfunctory attention was paid to the German demand, and, as a consequence, Count Nadolny, the chief German delegate, voted against the adoption of the resolution of July 23 on the ground that it made no mention of Germany's demand for equality of status.

Disorganized as in most respects German opinion is, there is no doubt that the speech which General Kurt von Schleicher, the Minister of Defense and one of the most powerful figures in the Cabinet (see pages 20-24 of this magazine), delivered over the radio on July 26, expressed a belief and a determination that are shared by substantially the entire

German nation. In this address he pointed out that while the French delegates at Geneva were asserting that they could agree to a further reduction of their armament only in exchange for a greater assurance of security, M. Lamoureux, the Rapporteur General of the budget, in defending the estimates for completing and maintaining the chain of fortresses on the French Eastern frontier, had stated emphatically that they are impregnable and afford France the fullest security against invasion. Nothing of the sort, said General von Schleicher, is permitted to Germany. The fact is that "no other European country possesses in so small degree the security for which, paradoxical as it seems, precisely the strongest military power in the world incessantly clamors." If the Disarmament Conference fails to provide for German security, he declared, the government will be compelled to act alone and to obtain it "by transforming, not expanding, her army. I do not want to leave the slightest doubt that we are going to choose this way if security and parity are denied to us in the future."

In an interview with Italian press representatives, von Schleicher was more specific:

"Germany demands in principle the same rights as other nations with regard to her army structure, its organization and division among different types of arms, its equipment with arms, the fortification of our frontiers and arms manufacture. A professional army with a long service period represents for Continental Europe the weakest and at the same time the costliest system. The German Army has no air forces, tanks, heavy artillery or anti-aircraft guns, and our navy has no submarines, airplane carriers, big cruisers, &c. Without these Germany cannot attain national security. If the German demands for equality are rejected, Germany will

withdraw from the Disarmament Conference, and it is obvious what this will mean for the existence of the League of Nations. Moreover, the German Government, if the disarmament pledges of the other partners to the treaties are broken, will be forced to reconstruct its security by national means, because it was impossible to do so by international means."

On the day following von Schleicher's speech, Chancellor von Papen, in an interview given to The United Press, made it quite clear that it expressed completely the settled determination of the government. During the month of August the German demands were discussed with the French Ambassador in Berlin, and on Aug. 29 the result of the conversations was incorporated in an aide-memoire and forwarded to Paris. In this document the Reich requested "confidential discussion between the two governments, in which the position of both governments would be outlined with complete sincerity," after which the results would be communicated to the other governments concerned, with the request that they participate in further discussion.

The German Government believes, the aide-memoire continues, that the resolution of July 23 is not consonant with the implications as to disarmament contained in the Versailles treaty, that it was not sufficiently radical in its terms, and that it failed to make clear whether the new treaty would apply to Germany equally with the other powers. There is nothing in the resolution which they would reject, provided that the whole has general application. "Germany has always demanded that other nations disarm to a level which, keeping the special situation of each country in mind, corresponds in character and extent to the armament status which has been imposed on Germany in the Treaty of Versailles." Germany has "the same right for national security as any

other nation," and the convention to be framed should provide for "the realization of national security for all States, and it should apply to all equally, thus taking the place of Part V of the Versailles treaty."

While Germany cannot, the document continues, renounce her legal right to a "status of armaments corresponding to her need for national security" she is "willing to be satisfied, for the term of the first convention, with certain modifications of [her] status in armaments," because she believes that the succeeding convention will more definitely accord with her desires. She is willing to accept "any ban on arms that applies equally to all nations," but "categories of arms which are not generally banned" must, in principle, be permitted to her. She must have the right to develop them "within the frame of the general regulations, in a manner corresponding to the economic and social characteristics of the country," the right to reduce the period of active service of enlisted men, and the further right of "short-term training of a special compulsory service of militia." The German Government is willing to discuss any concrete suggestions made by the French "aiming at the consolidation of security for all States." In closing, the document expresses the hope that this outline will convince the French Government of the moderate character of the German aims, and that a decision in regard to them can be reached which will tend to calm the political situation and to re-establish European equilibrium.

Although the aide-memoire was, in its terms, confidential, inaccurate summaries of it appeared in the Paris press, and its content was immediately communicated to the chief powers. This action was strongly resented in Berlin, as it was claimed that there had been a previous agreement on the procedure outlined in the opening paragraph. After an emphatic denial

that the French résumés were a fair presentation of its contents, the German Government released the text for publication. The English translation, published in this country on Sept. 7, was so bad that its meaning is sometimes obscure, but its substance corresponds to the summary given above.

Although the nationalistic press in France denounced the document with its usual violence, it was received by the Herriot Government with complete calm. Official France seems disposed to view the situation realistically and to attempt to work out a compromise, provided that it can be brought about without abrogating the Versailles treaty and without an increase in German armament. As this is written, the subject is still under discussion by the French Cabinet and an early reply is expected. The situation is made more difficult politically because of the disorganization of German politics and the fact that the von Papen Government is acting without the control or the consent of the Reichstag. The Stahlhelm demonstration on Sept. 4, when over 100,000 veterans marched in the uniforms and under the banners of Imperial Germany, furnished a spectacle which was highly inflammatory to the French.

The Germans, in several public statements, have given the impression that they had received assurances of British support for their demands. While there is doubtless a certain amount of sympathy with them in official, as well as in non-official, circles, Prime Minister MacDonald felt it necessary to protest, in a communication addressed to Germany and to the other signatories of the consultative agreement, against the assumption that his government would give them its backing. It may, in fact, be taken as certain that, while British views may modify the French position, the two governments will act in concert. Italy, on the other hand, has indicated her agreement with the

German claims. The position of our own State Department appears to be that, while we are not directly concerned with the Versailles treaty, we are strongly interested in everything that relates to disarmament. We recognize that it is impossible permanently to keep Germany in a position of inequality, but we strongly deprecate any action that would lead to the expansion of German armament.

While the situation is critical, it is by no means hopeless. The German Government has stated repeatedly that it does not intend to increase its armament, but rather to readjust it; and it is evidently prepared to accept temporary restrictions, during the life of the disarmament convention, provided that the principle of equality is accepted and that the restrictions are of such a character as not to be too galling to German pride.

ECONOMIC PARLEYS

Planning for the coming world economic conference in London is seriously hampered by the necessity, imposed by the United States, of excluding from the discussions war debts, reparations and tariff rates. The *London Times*, in a strongly worded editorial on Sept. 3, emphatically stated that, if these matters remain excluded, the conference "will be condemned in advance to failure." President Hoover has appointed Frederic M. Sackett, Ambassador to Germany, and Norman H. Davis as our representatives on the organizing committee, which is under the chairmanship of Sir John Simon.

Preliminary discussions relating to the subject matter of the conference furnished a reason for a second meeting of the representatives of Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria, Rumania, Estonia and Latvia at Warsaw on Aug. 24, before the convocation at Stresa, Italy, on Sept. 5 of delegates from fifteen European countries. The resolutions of

the Warsaw conference in substance repeated those adopted at their meeting two years ago. They recommended the abolition of trade restrictions, the granting by creditor States of trade quotas large enough to permit the debtors to pay their debts with goods, the establishment of preferential tariffs and of international mortgage and international agrarian banks. The discussions at Stresa centred on preferential tariffs and the reduction of interest on foreign debts. It was admitted that little could be done without the cooperation of the United States, Argentina and Canada.

Although every authority agrees that tariff walls are blocking trade, they continue to rise higher and

higher. The last revision is the German schedule which went into effect on Sept. 6. Evidently what is sauce for the goose is not sauce for the gander, for, while protests against our own rates are met by the statement that the tariff is a domestic matter, our Ambassadors in Paris, Berlin and other capitals officially register our own protests against new rates and quotas. The effort to negotiate a new commercial treaty with France (see page 99 of this magazine) is seriously hampered by the inability of our representatives to predict Congressional action and by our insistence on the inclusion of a most-favored-nation clause, a concession that France is unwilling to grant.

The Franco-Polish Military Pact

SPECULATION was rife during August in regard to the renewal of the military convention which is known to exist between France and Poland but the terms of which have not been divulged by either of the two governments concerned.

It will be remembered that in 1920 France went to the aid of Poland against Soviet Russia and subsequently helped to organize and equip the present Polish Army by lending it instructors and staff officers and by advancing large sums of money for the purchase of war material. The French policy which looked to Poland as an ally replacing Russia in the part she formerly played on Germany's eastern frontier was further developed by the political treaty which Pilsudski signed on behalf of Poland with France on Feb. 19, 1921. This treaty provided for the maintenance of the peace treaties, for the security of the territories of the contracting parties and for their common political and military interests.

The treaty, which was ratified by Poland on May 30, 1922, was supplemented by six conventions concluded during the next two or three years, one of them being the military convention, the full text of which has so far remained unpublished. However, *L'Humanité*, the leading newspaper organ of the French Communist party, in its issue of Aug. 28, 1932, printed portions of the agreement, and from other sources, which can be regarded as reliable, it is learned that the extracts thus published are authentic.

According to that newspaper, the Franco-Polish military convention was signed by Marshal Foch and General Sokoski on Sept. 15, 1922, and in Article II provided that in case it "is not denounced before its expiration it will remain in force for another ten years." Hence the recent discussion of its renewal and the agitation by the Communists for its denunciation on the ground that it is directed against the Soviet Union.

Article X of the convention, as translated from the text given in *L'Humanité*, reads as follows:

The French Government undertakes to give its support to the Polish Government in case of an armed conflict with Soviet Russia within the following limitations:

- (a) By appointing military advisers;
- (b) By giving the Polish officers' corps the assistance of corps of commissioned and non-commissioned reserve officers;
- (c) By providing the Polish Army with war material in accordance with Article IX;

(d) By using the French war fleet to blockade the coasts of Russia.

These undertakings are also to be carried out in the circumstances envisaged by Article II (b).

If a Polish-Russian conflict should be complicated by the intervention of Germany, the present agreement will be binding on the French Government to the fullest extent.

Article II (b), referred to above, contemplates "the necessity for the Polish Government to put into execution the treaties of defense which will be concluded by Poland in accord with the French Government." Among the treaties "concluded by Poland in accord with the French Government"

is that with Rumania, signed on March 3, 1921, providing chiefly for mutual assistance in case of an attack from the East, and the Polish-Rumanian military convention, which followed it and of which Article VI reads as follows: "For an offensive against Russia the armed forces of the two parties will be concentrated each in their own territory; the point of contact between them will be established at Hotin [Khotin] on the Dniester."

Commenting on the Franco-Polish convention, *L'Humanité* states that French military advisers are "extremely numerous" in Poland, as are also French commissioned, and non-commissioned officers who are acting as instructors, and that the schools recently established in France for commissioned and non-commissioned reserve officers are training the Polish officers referred to in Article X (b). As for supplies of war material, *L'Humanité* adds, there is no need to point out that France is very liberally fulfilling her obligations.

Reviving American Confidence

By E. FRANCIS BROWN

THE Summer of 1932 is not likely to go down in American history as one of quiet uneventfulness. Instead of the customary doldrums, with individuals on vacation, politics adjourned and the economic system running along at a slow pace, the nation has found itself caught up in the excitement of a Presidential campaign that opened earlier than is customary; the economic system, to be sure, ran slowly enough, but there were so many prophecies that it was about to speed up that even those individuals on enforced vacations found the latter weeks of August not unexciting.

Without question, the most significant developments of the month related to the nation's business. In July a mood of optimism began to permeate the country, a sentiment which was further stimulated by a definite press propaganda which recorded the resumption of economic activity in various regions of the United States. Many of these stories were not strictly accurate and certainly they made no attempt to tell of the further closing of industrial plants or of the curtailing of operations. But whether true or not, the press campaign was not without effect on the attitude of

the public. At the same time the stock market shook off its lethargy; with only slight periods of reaction, stock prices rose steadily until by the end of August the average value of securities listed on the Exchange had risen approximately 100 per cent over that of July 8. Bonds, likewise, increased in value, although not as spectacularly as stocks. During these weeks commodity prices improved until the average for wholesale prices was 94.1 for August, compared with 88.6 for June.

There were other encouraging signs of economic revival. The flow of gold from the United States seemed to be definitely stopped, and a small amount returned to this country. On Aug. 31 the Federal Reserve System reported total gold reserves of \$2,772,961,000, as compared with \$3,464,960,000 a year ago; nevertheless, the total for Aug. 31 was greater by \$177,000,000 than the low point reached in June. At the same time the banking situation—if the smaller banks of the nation were forgotten—appeared sounder. The rise in security prices strengthened the position of the banks to some extent, and public sentiment was improved by the first statement of the loans made by the Reconstruction Finance Corporation for the brief period between July 21 to 31, which showed that no important banks had received aid. Moreover, the amount of currency in circulation showed some decrease and the number of bank failures was smaller.

On the other hand, the various indices of business activity were discouraging. The steel industry, for instance, was operating at the end of the first week in September at 14½ per cent of capacity, although this was an improvement over the previous week's figure of 13 per cent. Automobile production was on a narrow basis; electric-power output was low and car loadings showed only a slight seasonal increase. Only textiles and shoes were really active. More-

over, employment in the United States declined 3.4 per cent in July, although in August New York State showed a gain in employment of 2.9 per cent—the first improvement since September, 1931.

The earnings of industrial and mercantile enterprises have fallen tremendously. Out of twenty-three classified groups listed in the bulletin of the Second Federal Reserve District for September, thirteen reported deficits for the second quarter of the year; in 1930 none of these groups failed to make profits. The railroads, of course, show poorly in any survey of earnings. In the first six months of 1932, the Class I railroads of the United States had a total net operating income of \$112,328,375, but in the corresponding period a year ago the total was \$240,504,555. Small wonder that the roads are threatening their employes with a 20 per cent reduction in wages.

That some of the woes of industry are the result of the fall in purchasing power of the mass of the population cannot be seriously doubted. Between June, 1929 and June, 1932 the buying power of the average worker fell 27 per cent, according to a recent report of the National Industrial Conference Board, but in the same period the cost of living fell only 22.3 per cent.

When these facts are considered, it is not difficult to be suspicious of the bull movement in the stock market. And the rise in commodity prices, while beneficial to an extent, was early in September still insufficient to bring profits to the farmer who is still threatened with the loss of his equity in land and buildings. Other elements are present which tend to complicate the economic situation. Inflation of a sort is taking place, though how much or how serious is not yet apparent. There is the question of where the R. F. C. is taking us, with its many large loans to a wide variety of enterprises. And, finally, the economic system has been

shown to have certain weaknesses—has anything been done to correct them and make for a more stable, more sound business structure?

One does not need, therefore, to be a pessimist to be skeptical of the present sentiment that the depression is over. There has been a minor improvement in business; the upturn may have begun, but it is certain to be a long, slow process before we can truthfully say that "happy days are here again." And the way will be littered with the wreckage of bankruptcies, receiverships, defaulted bonds and foreclosed mortgages.

At the same time, organized efforts were being continued to lift business from its slough. The Federal Home Loan Bank system which was created during the closing hours of the last session of Congress has perfected its organization preparatory to extending relief to home owners in the form of more liberal mortgage arrangements. The twelve banks to be established are to be located in Cambridge, Mass., Newark, N. J., Pittsburgh, Pa., Winston-Salem, N. C., Cincinnati, Ohio, Indianapolis, Ind., Evanston, Ill., Des Moines, Iowa, Little Rock, Ark., Topeka, Kan., Portland, Ore., and Los Angeles, Cal. On Aug. 26 the chairman of the Home Loan Bank Board announced that a sixty-day moratorium on foreclosures on first mortgages by receivers of closed national banks had been ordered by the Controller of the Currency in order to tide over home owners until the Home Loan Banks could begin operations in October. Although the statement was received with considerable acclaim, it should be noted that only a small group of home owners are affected.

The Reconstruction Finance Corporation, besides its loans to banks, railroads, insurance companies and so on, has made loans for unemployment relief to several States and has been preparing decisions on many applications for aid in the construction of self-liquidating projects. The immedi-

ate establishment of agricultural credit corporations to assist farmers in the marketing of their crops was promised on Aug. 19 when the R. F. C. designated eight districts which are to be covered by credit bodies. Funds for their operation would be drawn from the resources of the R. F. C. according to a clause in the unemployment relief act.

These plans, important as far as they go, are not as likely to draw public attention as measures whose effect can be observed almost immediately. Of such a nature is the proposal to finance the buying of raw materials in an effort to bolster commodity prices. With a considerable flourish of trumpets the Commodities Finance Corporation was launched in August with a directorate of distinguished financiers and a capitalization of \$50,000,000. Its purpose is to "finance the purchase, carrying and marketing of commodities for raw material users" where ordinary credit is unobtainable. Obviously, the amount of money available is too small to have much influence on commodity prices. On the other hand, the R. F. C. announced on Aug. 29 that it had authorized a loan of \$50,000,000 to the Cotton Co-operative and Cotton Stabilization Corporation to permit the holding of cotton until 1933. On Sept. 5 came the announcement that the Grain Stabilization Corporation would hold off the market until Jan. 1, 1933, the 3,000,000 bushels of wheat held by the Federal Farm Board. Both these plans promised to improve to some extent the prices of wheat and cotton, although sound economic principles would seem to have been ignored.

The publicity attendant on the formation of the Commodities Finance Corporation, however, was as nothing in comparison with that accompanying the calling of a President's conference of business and industrial leaders to "move from defense to powerful attack upon depression along the whole national front." The conference,

which met in Washington on Aug. 26, was attended by the business and industrial committees of the twelve Federal Reserve districts. President Hoover opened the meeting with a statement that "the major financial crisis" had been overcome and that "with its realization, confidence and hope have reappeared in the world." He urged the setting up of machinery for "wider-spread cooperation of private forces and to coordinate them with government agencies for aid and action in industrial and agricultural fields." Better distribution of credit was needed, he asserted, and also the spreading of work through a shortening of hours in order to meet the problem of "our unemployed millions."

A six-point program was adopted by the conference in order to hasten economic recovery. Subcommittees were appointed to study: (1) The problem of making available credit affirmatively useful to business; (2) increased employment on railroads and stimulation of industry through expansion of maintenance and purchase of new equipment in cooperation with the Interstate Commerce Commission and the R. F. C.; (3) expansion of capital expenditures by industry in the way of replacement of obsolete and worn-out equipment; (4) increased employment through the sharing-work movement; (5) stimulation of repair and improvement of homes; (6) organization of committees to assist home-owners with maturing mortgages.

The "share-the-work movement," under the direction of Walter C. Teagle, president of the Standard Oil Company of New Jersey, got under way on Sept. 2, when headquarters were opened in New York City. Mr. Teagle expressed the hope that by spreading employment 2,000,000 workers would be given jobs, but he failed to mention the remaining 9,000,000 and apparently had forgotten that a "share-the-work movement" was unlikely to increase the purchasing power

of the great mass of wage earners.

For one reason or another—possibly because there have been so many White House conferences—this most recent one left the public unmoved. Its six-point program was too similar to the proposals made at other conferences—proposals which never bore fruit—to stimulate enthusiasm. The President's sudden conversion to a shorter day and shorter week was suspected by many to have a close relationship to the coming election, while the previous record of many of the industrialists who attended the conference was not such as to inspire much confidence in their promises to spread employment.

In the midst of the plans and proposals for improving the business life of the nation two widely separated demonstrations of an economic nature were taking place in the Middle West. Once again strikes broke out in the Illinois coal fields. The strike began after a new wage scale of \$5 a day instead of \$6.10, which had been negotiated and signed by the State officials of the United Mine Workers of America. Before it was signed, a referendum on the new rate had been taken among the union's members but resulted unfavorably; a second vote was then held but the ballots disappeared mysteriously before the result of the poll was made public. Miners in one coal town after another repudiated the action of their union officials and commenced the picketing of mines which were operating. From Aug. 15, when the strike first received attention in the public press, until the end of the month the coal regions of Illinois were the scene of mass picketing which in many instances forced mines to close, of clashes between the strikers and Sheriff's deputies and State troops. But as far as possible the miners avoided violent measures and conducted their demonstrations in an orderly fashion. On Sept. 2 a convention of delegates claiming to represent 75 per cent of the coal

miners of Indiana and Illinois voted to separate from the United Mine Workers and to form a new union.

The Illinois episode reflects not only the serious economic plight of the coal industry and of the miners, but the breakdown in labor union leadership in many trades. Behind the scenes undoubtedly is a story of intrigue, exploitation and union racketeering.

The American people, however, are accustomed to strikes in industry and find labor outbreaks hardly news; a farmers' strike, on the other hand, is sensational. On Aug. 8 such a strike or "holiday" began in Northwest Iowa when the National Farmers' Holiday Association organized a demonstration whose purpose was to withhold farm products from the market for thirty days or until prices had risen to a figure that would cover the cost of production plus a fair profit. Picketing, threats and boycott were invoked to prevent farm products from reaching the great markets at Sioux City, Des Moines and Omaha, and during the ensuing weeks shipments of livestock, milk and produce to these centres were reduced to a minimum. Sympathy for the movement was to be found in all the agricultural States of the Middle West, but the strike was confined almost entirely to Iowa. Rioting on a small scale broke out occasionally when Sheriffs' deputies attempted to run the blockade of the highways leading into the cities, and on Aug. 25, 1,000 farmers besieged the county jail of Council Bluffs until fifty pickets who had been arrested were released.

Milo Reno, president of the Holiday Association, said to the press: "We are simply demanding the same consideration for our industry that is cheerfully conceded to every other industry. We assume for ourselves the right to obtain this consideration in the same way other institutions obtain theirs; that is, to refuse to deliver the products of our farms for less than production costs."

At the end of August the strike had not succeeded in raising the prices of farm products to any extent and a truce was agreed upon until after a conference of the Governors of some of the farming States which was scheduled to meet in Sioux City on Sept. 8. In spite of the truce, picketing continued to some extent and violence broke out when new attempts were made to run the blockades. As far as its effect on prices is concerned, the strike is sure to be futile; its significance lies in the fact of a group protest against the agricultural situation and as a symptom of the unrest prevailing in farm communities. If out of present conditions should arise an active farmers' movement, the future will find the Iowa farm strike far more significant than it seems to contemporary observers.

All these economic and social developments of the moment are certain to have effect on the Fall political campaign. As has been said in these pages before, the economic condition of the nation may be the principal issue on which the outcome of the campaign will depend; certainly for the moment no other issue is as important. The debate over prohibition has abated—since both parties differ only on technicalities about which it is difficult to excite the voters—and the tariff is not an issue on which the Democrats can fight with safety.

Neither party foresaw the injection into the political strife of the bonus issue which resulted from the administration's forcible expulsion of the bonus marchers from Washington. [See September CURRENT HISTORY, pages 684-88.] Both parties in their platforms advocated justice to war veterans who had been disabled during the war or had contracted disease during their period of service; both parties, by implication at least, opposed further veterans' raids on the Federal Treasury. Probably, if the B. E. F. had never been evicted from

the capital, the veterans would have allowed the demand for immediate payment of the bonus to have been forgotten, temporarily at least, but the incidents in Washington gave the question of the bonus quite a different aspect.

By Aug. 28 thirty-one State conventions of the American Legion had instructed their delegates to the national convention which opened in Portland, Ore., on Sept. 12, to vote for the immediate payment of the bonus. In the State conventions only the most careful direction prevented the adoption of resolutions censuring President Hoover for his treatment of the B. E. F., while the Twenty-ninth Division Association, at its meeting in Norfolk, Va., on Sept. 4, did adopt a resolution that "the President, Herbert Hoover, be utterly condemned for the action which he took toward our comrades, both directly and indirectly."

While this emotional issue was menacing the Republican party's hopes, the details of the eviction of the B. E. F. remained confused. Statements of government officials in regard to the happenings which brought about the use of the troops on July 28 were contradicted by reliable witnesses and prominent Washington citizens. On Sept. 11 President Hoover laid before the nation a report by the Department of Justice on its investigation of the B. E. F. This report seemed to lend weight to previous claims that the bonus-marchers had many undesirables in their ranks, that criminals and avowed agitators were present. But the report was not conclusive and perhaps the truth will never be known.*

The more apparent manoeuvres of

*The article, "The Bonus Army Marches to Defeat," in September CURRENT HISTORY, inadvertently added to the confusion concerning the events of July 28 by attributing the death of the two veterans who were killed to the action of the army. The veterans were killed during the riot with the police before the regular troops were summoned.

the election campaign have helped to divert public attention from the real economic and social condition of the country. Following President Hoover's speech of acceptance on Aug. 11, the Republican campaign lagged. The President's address undoubtedly won him support for the moment, although his statement in favor of State regulation of the liquor traffic under Federal protection alienated the extreme drys, who were undecided whether to join a third party movement or to support no Presidential candidate, working instead for Senators and Representatives who would vote to retain the Eighteenth Amendment. The drys were further perplexed on Aug. 18 when Vice President Curtis in his speech of acceptance declared that he was "opposed to the repeal of the Eighteenth Amendment," although admitting that "in order to remedy present evils a change is necessary." Thus the Democrats were able to assert that the Republicans were still attempting to straddle the prohibition issue—a point made by Governor Roosevelt in a speech at Sea Girt, N. J., on Aug. 27.

For the rest, Republican activity consisted of perfecting the organization for the campaign, seeking elusive funds for the support of their strategy and criticizing the various speeches made by Governor Roosevelt. Valuable ammunition for the Republican party's attack was contained in an article by Calvin Coolidge published in *The Saturday Evening Post* of Sept. 10, in which he stated the case for his party and advocated the re-election of President Hoover on the basis of his record.

The Democrats, as a party definitely on the offensive, were busier during the closing weeks of the Summer. Although at first the party expected to have abundant campaign funds, it had become apparent by mid-August that special efforts must be made to raise the amount of money necessary to finance the party's work.

In a radio address on Aug. 25 Governor Roosevelt appealed for contributions, especially from the average citizen. The party set its goal at \$1,500,000, a sum little more than a quarter of that raised in the 1928 campaign. Some consolation could be found, however, in the similar plight of the Republican treasury. With funds trickling in, the party planned the speeches to be made by its leaders. Governor Roosevelt announced on Sept. 5 that he would begin on Sept. 12 a great swing around the circle which in the course of three weeks would carry him to the Pacific Coast and would include addresses in most of the chief cities west of the Mississippi.

Governor Roosevelt's most important speech before the beginning of his tour was made at Columbus, Ohio, on Aug. 20, when he assailed the record of the Republican party. He summed up his attack on the Hoover Administration in four sentences: "It encouraged speculation and overproduction through its false economic policies. It attempted to minimize the crash and misled the people as to its gravity. It erroneously charged the cause to other nations of the world. It refused to recognize and correct the evils at home which had brought it forth, delayed relief and forgot reform." For his part, Governor Roosevelt offered the following nine-point program:

1. Every effort to prevent the issue of "manufactured and unnecessary" securities, and to insure full information to the investor in legitimate issues concerning the use of his money, including a demand that the sellers disclose their bonuses and commissions.
2. Full use of Federal power for regulation of holding companies.
3. Federal regulation of the Stock Exchange and other exchanges.
4. More rigid supervision of national banks.
5. Discouragement of the use of bank deposits for speculation.
6. Complete separation of investment and commercial banking.
7. Barring the use of Federal Reserve funds for speculation.
8. A pledge against implied approval by

the State Department of foreign flotations in this country.

9. No government attempts to influence the stock market by "misleading statements."

Four days later, at Providence, R. I., Secretary Hurley answered Governor Roosevelt when he declared that the Governor had attempted to "arouse class antagonism, to capitalize discontent, to make politics out of human misery, and to profit by distortion." Denying the Republican Administration's responsibility for the economic crisis, the Secretary of War asserted that "up to this moment, the Governor has not offered one constructive suggestion that would give employment immediately to any person or relieve distress or overcome the effects of the depression."

Governor Roosevelt's only other speech of importance was that at Sea Girt, N. J., where he attacked the Republican stand on prohibition and denied that the Democratic party favored the return of the saloon. Following his appearance at Sea Girt, Governor Roosevelt was a week-end guest at the home of his law partner at West Hampton, L. I. Here it was hoped that he would meet Alfred E. Smith and thus patch up the difference which arose as a result of Roosevelt's nomination, but Mr. Smith declined an invitation to attend a luncheon given in the candidate's honor. While the continued silence of the 1928 Democratic candidate has been embarrassing, there can be little doubt that eventually he will place the stamp of his approval on the Roosevelt candidacy.

The political sensation of the month was the hearing conducted by Governor Roosevelt upon the charges against Mayor Walker of New York City which arose out of the investigation of the city's affairs by a committee authorized by the State Legislature. The hearing began at Albany on Aug. 11 and was continued with frequent adjournments until Mayor Walker, on Sept. 1, resigned as Mayor

of the nation's greatest city, declaring that "the proceeding before the Governor developed into a travesty, a mock trial, a proceeding in comparison to which even the practice of a drum-head court-martial seems liberal." The American public—which had been watching the development of the Walker case with intense interest—was not convinced that the Mayor's charges were justified. Republicans and Democrats alike had expressed admiration of the dignity and skill with which Governor Roosevelt had conducted the hearing and had become somewhat irritated by the tactics by which the Mayor and his counsel had sought to evade the questions and becloud the issues involved. And following the Mayor's resignation, the press of the nation with but few exceptions expressed the belief that the Mayor's action indicated that he was guilty of misconduct in office and that he had chosen resignation as the one possible escape from removal from his post.

Mayor Walker, in the statement accompanying his resignation, de-

clared that he would seek re-election and thus would carry his case to the people of the city. His action complicated the Democratic party's campaign by making uncertain Tammany Hall's support of Roosevelt's Presidential ambitions. Outside New York City, Governor Roosevelt's handling of the Walker case unquestionably strengthened his candidacy, but if the election should be close, it is probable that Governor Roosevelt would be defeated for the Presidency unless he could carry New York State, and ordinarily that would mean carrying New York City. Will Tammany aid the Roosevelt campaign, or will it treat him as it is supposed to have treated Grover Cleveland in 1888? And will Tammany give Walker the opportunity of submitting his case to the electorate? These questions remained unanswered in the confusion which followed the Mayor's resignation, but certain it was that, as so many times in American history, the internal politics of New York State would have important repercussions on national affairs.

Mexico's New President

By CHARLES W. HACKETT

Professor of Latin-American History, University of Texas; Current History Associate

THE resignation of President Pascual Ortiz Rubio and the election by Congress on Sept. 4 of Abelardo L. Rodríguez, Minister of War, as Provisional President brought to a climax a year of marked political instability in Mexico. Two Cabinets have resigned in less than a year, on Oct. 14, 1931, and on Jan. 20, 1932, and there have been frequent changes within the Cabinet and in other high governmental positions. When former President Plutarco Elias Calles resigned as Minister of War on July 30, President Ortiz Rubio two days later

filled the vacancy by appointing General Abelardo Rodríguez, who, at that time, was Minister of Industry, Commerce and Labor. Primo Villa Michel was given the latter portfolio.

In mid-August a political feud began which ended in the resignation of President Ortiz Rubio on Sept. 3. It originated in a change of medical directors at the General Hospital, which is dependent upon a national charitable organization headed by Francisco Ortiz Rubio, a brother of the President. As a result of this change, more than twenty physicians

on the staff of the hospital resigned. This led Estrada Cajigal, Chief of the Federal District and, as such, a member of the President's Cabinet, to intervene. His efforts to settle the matter were considered by the President as "going beyond his instructions," and Cajigal decided to resign. The next day Dr. Anton Melo, head of the Public Health Department, likewise resigned on the ground that he had been associated with Cajigal and had approved of his intervention. Other physicians who were loyal to Cajigal and Dr. Melo and who had been lending their services to the hospital also resigned. When an official announcement, on Aug. 20, that General José M. Tapia had been named Chief of the Federal District was withdrawn the next day, the accepted explanation was that General Tapia had refused to accept the appointment. Subsequently the position of Chief of the Federal District was offered to three other men, all of whom declined it. Finally, on Aug. 28 it was announced that Justice Manuel Padilla of the Supreme Court had been given a leave of absence by a special session of Congress to become Chief of the Federal District.

The breach between Cajigal and President Ortiz Rubio proved to be the latter's undoing, since former President Calles, long regarded as the "strong man" of Mexico, gave his support to Cajigal. Calles's friendship and admiration for Cajigal, who is also Governor of the State of Morelos, has long been known and was publicly proclaimed some months ago when he referred to Cajigal as the type of aggressive, honest and efficient young manhood on whom the future welfare of Mexico most depends.

The seriousness of the breach between President Ortiz Rubio on the one hand and Calles and Cajigal on the other was acknowledged by the President at a Cabinet meeting on Sept. 2, when he is reported to have said that a situation favorable to him-

self could be achieved, if at all, only through violence; this alternative he rejected immediately.

It was announced on Sept. 3 that the President's resignation would be given to Congress, and at a meeting of the National Revolutionary bloc in Congress the same day General Rodríguez was unanimously endorsed for Provisional President, thus insuring his election. Ortiz Rubio's resignation because of "ill health," was received and accepted by the Mexican Congress on Sept. 4 and General Rodríguez was officially chosen as his successor. After his resignation, Ortiz Rubio left for Hot Springs, Ark., insisting that he had no differences with former President Calles and that he was merely anxious to take a long rest.

The new Cabinet appointed by Provisional President Rodríguez contains only two new ministers. One of them is former Provisional President Emilio Portes Gil, who received the post of Attorney General. The other is Dr. Gaston Melo, one of the physicians who resigned from the hospital, as Minister of Public Health. Only two of the eleven members of the Cabinet are military men.

The peaceful retirement of President Ortiz Rubio stands out in bold contrast to previous changes. Before 1920—and omitting the seven times that Porfirio Díaz succeeded himself—there were only three occasions in nearly a century of independence on which a constitutional President turned over his office to his constitutionally elected successor. The latest peaceful transfer of executive power is the fourth one in the last twelve years.

MEXICAN CONGRESS CONVENES

The Thirty-fifth Mexican Congress opened on Sept. 1 with the annual presidential address read by President Ortiz Rubio. He declared that Mexico was at peace with the world and had no major and few minor

problems. He congratulated the country upon the orderly conduct of recent general and legislative elections, citing them as "proof of the democracy of this nation and of the fact that the Mexican people have more confidence and faith in suffrage and order than in violence." The Ministry of Foreign Relations, he reported, had transported, 126,154 Mexicans out of the United States to the Mexican border for repatriation, without involving the expenditure of public funds during the past year. Regarding the Church and State conflict the President said that "careful, constant vigilance" had been necessary to prevent violation of the religious laws. He accused the clergy of making improper use of fiestas "to intensify religious propaganda." Referring to the fact that the two educational decrees had been passed to enforce lay education, one of which was sternly but unsuccessfully opposed by the clergy, he promised that every effort would be made to abolish primary religious schools.

NICARAGUAN REBEL ACTIVITY

Clashes between patrols of the Nicaraguan National Guard, many of them commanded by United States Marine officers, were less frequent and less intense during August than during July. Major Julian C. Smith of the United States Marine Corps, who is a Colonel of the Nicaraguan National Guard, was appointed Chief of Staff of the Nicaraguan National Guard early in August. He succeeds Major Walter G. Sheard, who was placed in command of the central area of Nicaragua. In an airplane crash on Aug. 24, Lieutenant R. P. Rutledge and Sergeant O. B. Simmons, of the United States Marine Corps, were killed when they attempted to drop a message to a ground patrol. The Marine aviators were cooperating with the ground patrol in efforts to rescue two Marine mechanics who

had been marooned on the Nicaraguan east coast when they were forced to jump from their plane three days earlier.

A project for a loan of \$1,500,000 from the National Bank of Nicaragua to provide funds for railway and highway construction, the expenses of the American election mission and the budget deficit was adopted by the Nicaraguan Congress on Aug. 10. As a guarantee for the loan the government pledges the net revenues of the National Railway, the Corinto and San Juan del Sur wharves, the road taxes and the customs duties on luxuries. Supervision of the expenditures from the loan will be made by Finance Minister Arguello, High Commissioner of Customs Lindberg and a representative of the minority party appointed by the government.

Adolfo Díaz, President of Nicaragua from 1911 to 1917 and from 1926 to 1929, was nominated for President of Nicaragua by the convention of the Conservative party on Aug. 16.

NEW TREATY BETWEEN HAITI AND THE UNITED STATES

Under the terms of a Treaty of Friendship signed on Sept. 3 by Albert Blanchet, Foreign Minister of Haiti, and Dana G. Munro, United States Minister at Port-au-Prince, the United States will relinquish part of its control over Haitian affairs in 1934 or two years sooner than the date set in the previous treaty. The treaty specifies that the Garde d'Haiti is to be completely officered by Haitians not later than Dec. 31, 1934, and that at the same time withdrawal of United States Marine troops is to begin. On this point an exchange of notes between the two signatories adds: "It is realized that it might prove impossible to carry out this program at the times fixed if serious disturbances or other difficulties in Haiti now unforeseen should arise to prevent its execution." The treaty also provides that the American Re-

ceiver General of Customs and the Financial Adviser be replaced by a Fiscal Representative and a Deputy Fiscal Representative to be appointed by Haiti upon the nomination of the President of the United States. This provision was made to safeguard the security of \$14,150,000 in American bonds now outstanding in Haiti.

Martial law for Port-au-Prince and certain other sections of Haiti as part of the government's campaign against the opposition press was proclaimed by President Stenio Vincent on Aug. 20. Five newspapers were promptly suppressed and two editors were arrested; this action was justified by President Vincent on the ground that certain newspapers were provoking the public with the prospect that agitation might lead to bloodshed and imperil the stability of the government.

President Hoover on Aug. 13 appointed Norman Armour, Counselor of the United States Embassy in Paris, as Minister to Haiti. He will succeed Dr. Dana G. Munro, who has occupied that position since June 28, 1930.

COSTA RICA'S DEBT

A plan for meeting payments of interest during the next three years on Costa Rica's 7 per cent dollar bonds, amounting to slightly over \$7,000,000, and due on Nov. 1, 1951, was announced on Aug. 29 by the Costa Rican Government through J. and W. Seligman & Co., its fiscal agents in New York. It was stated that in exchange for interest coupons on each \$1,000 bond, up to and including that payable on Nov. 1, 1935, Costa Rica would give \$23 in cash and funding bonds of \$222 principal amount, bearing 5 per cent interest, payable semi-annually and maturing in 1951.

RENT STRIKE IN PANAMA

A decree suspending property rights and individual guarantees in Panama until the passage of a rent law by the National Assembly was issued by

President Alfaro on Aug. 15. This action was taken because the rent strikes had brought about a situation that threatened the public peace. Property rights were suspended so that the government could make effective concessions that had been offered by the landlords but had subsequently been withdrawn. Three days later, despite the fact that there was no suggestion of intervention by the United States in the matter, the National Reserve, a self-styled patriotic organization, went on record as desiring "to repel with all energy any disorder that might provoke an American military occupation." A presidential decree accorded the members of the National Reserve the same authority as the police.

CUBA'S INTERNAL DIFFICULTIES

Political disorders and opposition to the administration of President Gerardo Machado were less frequent and violent in Cuba during August than for some months past. Plans for alleged Communist or anti-administration demonstrations on Aug. 1 were discovered by the police and failed to materialize.

On Aug. 22 Señora Mariana de la Torre, who was the first woman ever court-martialed in Cuba and who was sentenced on July 7 to serve fourteen years in prison, was pardoned by President Machado. Because of the social position and wealth of the Mendoza family, of which Señora de la Torre is a member, her trial attracted great interest. She has always been an outspoken opponent of President Machado and her pardon came as a surprise to the public.

A strike of approximately 500 Cuban physicians, members of the National Medical Federation, began at midnight on Aug. 18. About 2,000 patients in eight Havana mutual aid hospitals were affected. The physicians, who were employed by mutual-aid societies, had demanded that the societies drop from their lists all persons able to pay the regular fees for

medical assistance. When their demand was not heeded, a strike was scheduled for Aug. 15, but at the request of President Machado it was postponed for seventy-two hours. Unable, despite strenuous efforts, to effect an agreement, the government took steps to preserve order and announced that physicians attached to the Department of Health would be pressed into service where the personnel left in the mutual-aid hospitals might be insufficient for the needs of the patients.

The total indebtedness of the Cuban Republic, according to Treasury Department figures released early in August, is \$153,754,000, exclusive of Cuban sugar stabilization bonds. Of this sum, \$58,388,000 must be paid on various external bonds; \$7,866,000 remains as an unpaid balance on a bond issue that was floated in 1905, while public-works loans extant amount to \$87,500,000. In addition, \$42,000,000 in bonds have been issued against certificates for segregated sugar. Of the latter sum, \$8,265,360 has been amortized; \$5,026,520 is held by banks, and \$28,708,120 is in circulation. Since General Ge-

rardo Machado became President on May 20, 1925, the Cuban Government has paid \$66,050,149 principal and \$50,013,344 interest on its funded debt. Between July 1, 1930, and June 30, 1932, the government bought back some of its paper at \$2,373,186 less than the obligations represented. A steady decline in the Cuban silver dollar, until on Aug. 10 it was quoted at a discount of 2¾ to 3 per cent in Havana exchange markets, has been authoritatively attributed to the policy of the Cuban Government in withdrawing American currency from circulation and substituting Cuban silver, which was adopted at the time of the recent issue of approximately \$3,000,000 in silver.

It was announced on Aug. 12 that Oscar B. Cintas, a business man, would be Ambassador to the United States in succession to Dr. Orestes Ferrara, who recently resigned to become Cuban Secretary of State and who is well known in the United States through his business connections. He is vice president of the American Car and Foundry Company and of the American Locomotive Company in the United States.

War and Revolt in South America

By HENRY GRATTAN DOYLE

*Professor of Romance Languages, George Washington University;
Current History Associate*

THE revolutionary movements of 1930 and 1931 in South America were carried out with relatively little loss of life. But recent political disturbances there seem not to have followed this pattern, for while brief, they have been characterized by considerable bloodshed. The sanguinary revolt at Trujillo, Peru, in July was more than matched by a similarly unsuccessful attempt by adherents of President-elect Neptali Bonifaz of

Ecuador to seize the government of that country, an effort which plunged Quito into a week of slaughter in which, according to reports, about 800 lost their lives. The explanation probably lies in the fact that the movements of 1930 and 1931 represented rather general dissatisfaction with autocratic régimes and were supported by the bulk of public opinion, while those recently occurring in Peru and Ecuador apparently lacked gen-

eral support and were too closely identified with party conflicts. The former were successful and bloodless; the latter have been unsuccessful and apparently have resulted in relatively great loss of life.

Whether this means the approach of the end of the current revolutionary era in South America remains to be determined by events. For one thing, autocratic governments have become rare. The civil war in Brazil of course lies outside the scope of such a generalization. It represents a sectional rather than a party cleavage, though party politics is involved, and has been conducted on a military scale that suggests comparison with our own Civil War rather than with an ordinary South American revolution. It had been under way for nearly two months at the time of writing, without decisive results, and in number of combatants involved, equipment, leadership and cost of operations it goes beyond any purely civil strife that has arisen in recent years in South America.

In the field of international relations, the situation as regards the Chaco dispute between Bolivia and Paraguay remains unsatisfactory, though there is evidence of increasing pressure by neighboring countries to bring about a solution. A new border episode involving Peru and Colombia occurred on Sept. 1, but it does not seem likely to create serious difficulties between the two nations. Peruvian irritation over an Argentine resolution passed by the Chamber of Deputies on Aug. 19 asking clemency for Raúl Haya de la Torre, leader of the "Apra" opposition to President Sánchez Cerro of Peru, was reported as likely to lead to severance of diplomatic relations between the two countries. Peru had severed relations with Mexico in May on the ground that the Mexican legation in Lima was too friendly to Haya de la Torre. Argentina and Uruguay severed relations on July 13 as the result of an episode

involving Argentine exiles in Uruguay, but it was reported late in August that relations would soon be resumed.

THE REVOLT IN ECUADOR

The seven days' revolt in Quito, in which so many lives were sacrificed, arose out of a party struggle for the Presidency of Ecuador. Presidential elections held last October, following the ousting of President Ayora, resulted in a decisive victory for Neptali Bonifaz, Conservative candidate and one of the richest landowners of Ecuador, over his two Liberal opponents, Colonel Larrea Jijón and Commandant Ildefonso Mendoza. The President-elect was to assume office on Sept. 1, 1932, for a four-year term, and in the meantime the Provisional President, Alfredo Baquerizo Moreno, was to remain in office. When the results of the election were made known it was prophesied that efforts would be made by the Liberals to prevent assumption of office by the successful Conservative candidate, a purpose to which the long interval between the election and inauguration readily lent itself. The Liberals have been in control in Ecuador for many years and the election of a minority Conservative candidate because of a party split, with the prospect of a Conservative régime for four years, was hard for them to stomach. Commandant Ildefonso Mendoza had eliminated himself as a source of trouble by leading in April of this year an unsuccessful revolt which resulted in his imprisonment.

As the time approached for the opening session of Congress on Aug. 10, a question was raised as to the eligibility of the President-elect. Only a native-born Ecuadorean is eligible to be President, and Bonifaz, although born in Quito and a resident of Ecuador all his life, was the son of a Peruvian, formerly secretary of the Peruvian Legation in Quito, and was

born in the Peruvian Legation. Furthermore, three of his children were registered as Peruvians. (It also developed that his defeated opponent, Colonel Larrea Jijón, had at one time claimed Chilean citizenship.) Feeling ran high, and on Aug. 14 a supporter of the President-elect was killed in a riot over the question, which led to further disorders.

Finally, after a stormy night session on Aug. 19 and 20, and after Bonifaz had refused to resign, Congress, by a vote of 48 to 36, declared him ineligible. The President-elect did not deny that he had assumed Peruvian citizenship twenty-eight years ago "because of family relations ill-considered in his preoccupied youth," but maintained that "by birth, residence and all the factors on which nationality is based" he was an Ecuadorean. The army, Liberal in sympathies, announced its support of Congress. Dr. Alberto Guerrero Martínez, president of the Senate, announced his intention to resign because he "had been forced by public opinion to vote against the President-elect." On Aug. 26 Congress approved a decree under which Provisional President Baquerizo Moreno was to remain in office until a new election could be held.

On the following day part of the garrison of Quito, supported by civilians, rose against the Provisional President, who took refuge in the Argentine Legation, and declared itself in favor of Bonifaz. Regiments supporting the Provisional Government, aided by civilian volunteers, began to converge on Quito from other garrison posts in the republic, all of which remained loyal to Baquerizo Moreno's cause. On Aug. 28 these forces surrounded Quito and a series of bloody encounters followed their entrance into the city, the insurgents fighting from behind barricades and in a house-to-house retreat. The loyalist forces stormed the historically famous Pichincha Hill in the face of rebel bat-

teries. The diplomatic corps sponsored a peace parley in an effort to end the fighting, in which civilians were being killed, but the conferees were unable to agree, since the insurgents insisted on a general amnesty and the loyalists on unconditional surrender.

Hostilities were resumed on Aug. 31, but on Sept. 2 the revolt was broken by the surrender of the rebellious troops and their civilian supporters. Bonifaz took refuge in the American Legation. The Provisional Presidency was assumed by Alberto Guerrero Martínez as president of the Senate, the Provisional Government of Alfredo Baquerizo Moreno having come to an end by constitutional limitation at midnight on Aug. 31. The new government placed Quito under martial law and all the arms in the possession of civilians were seized. On Sept. 4 the Provisional Government called new elections for Oct. 30 and 31.

THE WAR IN BRAZIL

On Sept. 7 Brazil celebrated the 110th anniversary of her independence from Portugal. The same day marked the middle of the ninth week of the civil war between the federal government and the rebellious people of the State of Sao Paulo and their supporters in Minas-Geraes, Matto Grosso and other States. Up to the end of August, it was estimated, the war had cost the federal government about \$3,420,000, while loyal States had incurred additional expenses which brought the total up to \$7,250,000. The government on Aug. 11 authorized a new loan of \$29,000,000 at 7 per cent. On Sept. 4 the federal government contracted for the printing of about \$21,000,000 of paper money. Losses were unofficially estimated on Aug. 27 at 4,000 dead and wounded for the Federals and between 4,000 and 6,000 for the Paulistas. A spokesman for the latter admitted that casualties had reached 4,200 on Aug. 20, but claimed that federal losses were much heavier. An unof-

ficial report placed the total casualties at 15,000 up to Aug. 26.

An appeal for recognition of the rebels as belligerents has apparently failed of its purpose. So have all efforts to reconcile the two factions, and the war goes on, with the 6,500,000 people of the richest State in Brazil still stanchly holding out against the power of the federal government, which represents, theoretically at least, the rest of Brazil's 40,000,000 inhabitants. Claims of great federal victories against the rebels, as well as of gains in support for the rebels outside Sao Paulo, notably in Rio Grande do Sul, President Vargas's own State, do not seem to be substantiated.

The rock upon which informal negotiations for peace are reported to have split is the Provisional President's demand that the rebels lay down their arms before terms will be discussed. But Protogenes Guimaraes, the Minister of Marine, on Aug. 25 announced that the rebels had rejected peace terms providing for a general amnesty and the adoption of a provisional Constitution pending the convening of a constituent assembly, in return for the rebels' surrender of their arms. This proposal was submitted to the rebels, according to reports, by Mauricio Cardozo, former Minister of Justice, who was permitted by the government to make the proposals "as a demonstration of its own pacific tendencies."

Commercial and industrial interests were reported on Aug. 28 to have induced the Governors of the States of Minas Geraes and Rio Grande do Sul to submit suggestions for peace to the Provisional President. A delegation representing both intellectuals and commercial groups, announced as sailing on the cruiser Bahia on Aug. 29 for Santos to negotiate an armistice with rebel leaders, failed to leave. No reason for cancellation of the plan was forthcoming, but the Minister of Marine stated that "the government

reiterates that peace talks are impossible until the Paulistas lay down their arms." Unofficially the peace plan was said to provide for a junta, made up of Minister Guimaraes, an unnamed General and a prominent civilian, which would call an assembly, meanwhile governing the country.

The Provisional President's opposition to this plan may be due to his unwillingness to eliminate himself as the dominant factor, an interpretation that is in accord with the statement made by a Brazilian correspondent of the *Baltimore Sun*, in which the President is depicted as "giving his audiences, editing his decrees, re-editing them, issuing them, withdrawing them, reissuing them, until he slows the crises down and then makes them wither away." "The man in the street calls him 'xuxu'," (the equivalent of our "stick-in-the-mud," according to the correspondent), the article continues, because, "although the political tides sway him this way and that, they leave him as firmly anchored as before." According to this writer, President Vargas "will be dictator as long as dictatorship is possible."

Rebel headquarters on Aug. 25 declared that 5,000 men from Minas Geraes, under the leadership of former President Bernardes of Brazil, had pledged their support. On Aug. 29 orders for a widespread federal offensive against the rebels were reported countermanded by General Monteiro because Major Othelo Franco of the general staff had gone over to the rebels and revealed the federals' plans. On the same date a group of federal flyers was reported to have deserted to the rebels, taking with them four new planes just received from the United States. Persistent reports of uprisings in the State of Rio Grande do Sul were countered by federal claims that Governor Flores da Cunha had the State well in hand.

Military operations against the Paulistas have been conducted on three fronts. On the south an army under General Waldomiro Lima, on the east the forces of General Goes Monteiro and on the north the troops of General Manoel Rabello are pressing the rebels. The commander of the rebels is General Bertholdo Klinger, a German officer who was a supporter of President Vargas in the revolution of 1930. Operations have proceeded under great difficulties, particularly on the eastern front, between Rio de Janeiro and Sao Paulo, where freezing weather and the necessity of making troop movements through mountainous terrain have proved serious obstacles.

The objective of the federals in this sector is the railway junction at Cruzeiro, the link between the three States of Rio de Janeiro, Minas Geraes and Sao Paulo. This important point and the Mantiqueira railway tunnel near by are apparently regarded by both sides as the key to the defense of Sao Paulo. It was seized by the rebels at the outbreak of the revolt and has been the object of almost continuous attack ever since. The offensive on this front extends over a line about 125 miles long, with three objectives: Cruzeiro and the Mantiqueira tunnel, already mentioned; the city of Campinas, third largest city in Sao Paulo, about sixty-five miles from the State capital, and Boavista, terminus of the Boavista Railroad. The southern army was reported on Sept. 3 to have reached Itapetininga, about eighty miles from the city of Sao Paulo.

THE CHACO NEGOTIATIONS

The truce between Bolivia and Paraguay reached on Aug. 10 proved to be short-lived. Paraguay insisted on an armistice based upon the territorial positions of troops as of June 1, 1932, while Bolivia demanded recognition of the *status quo*. As the Bolivians hold Forts Boquerón, Cor-

rales and Toledo, captured, they say, in reprisal for Paraguayan aggressions beginning on June 15, the conflict between these points of view is serious. A fourth *fortin*, Carlos Antonio López, called Pitiantuta by the Bolivians, was recaptured by the Paraguayans on Aug. 12—the fourth time that it has changed hands since the present crisis began—thereby effectually ending any *de facto* truce. Military activities by both sides have apparently continued, in spite of the efforts of the five neutral governments (Colombia, Cuba, Mexico, Uruguay and the United States) to reach an acceptable basis for a truce, several new clashes occurring in the last two weeks of August.

Meanwhile, Paraguay inaugurated its new President, Dr. Eusebio Ayala, on Aug. 15. A distinguished jurist who has served his country as Cabinet member and as Minister to the United States, Dr. Ayala is reported to favor the establishment of a neutral zone in the Chaco, from which troops of both nations would withdraw, thereby avoiding new clashes pending settlement of the dispute. This proposal, first made at the Buenos Aires conferences of 1927—in which, by the way, both President Salamanca of Bolivia and President Ayala participated—represents in my opinion a sound approach to the problem. President Ayala announced that his first act on assuming office would be to ask for ratification of the conciliation treaty signed in Washington in 1929.

Reports of heavy Bolivian mobilization in the Chaco, originating from Argentine correspondents, have continued. Bolivian resentment against Argentina has also been aroused by reports that two members of the Argentine military mission to Paraguay, withdrawn by Argentina in accordance with the joint declaration of neutrality by Argentina, Brazil, Chile and Peru signed on Aug. 6, had secretly returned to Asunción.

Refusal by Bolivia to surrender the

three forts taken since June 1 is thought to have led to the resignation of Foreign Minister Zalles of Bolivia and perhaps also to that of Luis O. Abelli, Bolivian Minister to the United States, though it is denied that there is any connection between these events. On Aug. 29 the commission of neutrals in Washington proposed in notes to both nations a sixty-day truce, beginning on Sept. 1, in the Chaco. This was refused by Paraguay because it was based on the *status quo*, as proposed by Bolivia, which implied that Bolivia would retain possession of the three forts mentioned. In reply to the same proposal Bolivia suggested a thirty-day truce, but this was also rejected by Paraguay on Sept. 1 on the same grounds. According to Paraguayan newspapers, an additional month would permit Bolivia to complete her mobilization in the Chaco, enabling her after the six months' rainy season, which precludes military operations, to make a drive for the Paraguay River, using the three captured forts and ten new ones, alleged to have been built by Bolivia

during the negotiations, as bases for this advance. A proposal for suspension of mobilization in the Chaco was refused by Bolivia on the ground that the great distance between Bolivian centres and the disputed region gave Paraguay an advantage.

COLOMBIAN TOWN SEIZED.

About 300 Peruvian civilians on Sept. 1 seized the Colombian town of Puerto Leticia, on the upper Amazon northwest of Iquitos, the Peruvian river port. The seizure, at first attributed to Communists, was effected without bloodshed, and apparently represents a protest by Peruvian residents of the region against the cession of the town to Colombia under a treaty between Peru and Colombia negotiated in March, 1922, and ratified by Colombia in October, 1925, and by Peru in March, 1927. The Town Council of Iquitos announced that it supported the action of the invaders and asked for military support. The Foreign Offices of the two countries did not seem to be disturbed over the occurrence.

Depression Still Grips Britain

By J. BARTLET BREBNER

Assistant Professor of History, Columbia University; Current History Associate

DESPITE some evidences of British economic health, July and August have been marked by various fundamental, though small, setbacks in business. Industrial and financial circles have been outspoken about their difficulties, following the truce observed during the Ottawa Conference, and the government has again been exposed to criticism.

The loan conversion operations, for example, have been accompanied by an embargo on new capital flotations in London at a time when the money market was flooded with cheap,

short-term money. By Aug. 15, of the £2,087,000,000 war loan, 88.6 per cent was pledged for conversion from 5 to 3½ per cent; only 2.3 per cent of the holders demanded cash payment, while the attitude of less than 10 per cent was in doubt. Two weeks later it was announced that another £153,000,000 in loans and Treasury bills would be paid at par on Dec. 1, the general assumption being that a new loan of about £400,000,000 at a low interest rate would be floated to meet these and other immediate obligations. These enormous operations

promised to save about £30,000,000 a year, but private enterprise has begun to be querulous over the government's refusal to share the advantages of cheap money. The only concession has been permission for conversions and refunding of open-market issues falling due before Dec. 1.

In general, trade and industry continued to be depressed. For July, exports totaled £32,590,000, but were £6,598,000 less than in July, 1931; imports were less by £18,226,000, but the adverse trade balance fell £11,628,000. For the first six months of 1932 exports declined 6 per cent and imports 14 per cent, as compared with the same period a year ago—a record much better than that of France or Germany, but below the hopes expressed in the Spring. The Board of Trade index of industrial activity for the second quarter was 1.1 per cent lower than for the first quarter, although 2.2 per cent better than 1931. Naturally the lag was reflected in the statistics of unemployment. By Aug. 22 the total number of unemployed had risen to 2,859,828—126,046 more than on the same date in 1931.

The long-drawn-out negotiations between employers and weavers in the cotton industry broke down on Aug. 9. Last December the employers gave notice that the 1919 agreement, with its subsequent modifications, would end on June 11 in favor of a new wage scale and more looms per weaver. Before June 11 some weavers had been called out on strike by their unions, notably in Burnley, because employers broke their agreements as early as March; wage negotiations failed when the weavers insisted on reinstatement of these strikers.

Strike notices went out on Aug. 15, and, in spite of all attempts at mediation, the strike began in some places even before Aug. 27, the date set. By Sept. 1 about 145,000 weavers were on strike and were seriously threatening other branches of the industry.

The weavers maintained that the employers had not taken, nor contemplated taking, any serious steps to place the industry as a whole in an internationally competitive position except by reducing wages and allotting more looms to a weaver. The employers, on the other hand, held that the reinstatement of the earlier strikers was merely an excuse to avoid accepting a lower wage scale without protest.

The low rate for sterling attracted some attention, at a time when the Treasury and the Bank of England were still buying gold. Complaints were made that the embargo in the London market meant that investors sought New York. Security prices continued to rise in London, but the future was doubtful.

THE IRISH ARMIES

There are now four military organizations in the Irish Free State for the protection of various groups. The small Free State Army, supported by an official semi-constabulary known as the Civic Guards, was created by the late Michael Collins and has efficiently protected the government since 1921. Its leaders assert that it is outside politics and they live up to their words. The second force, the Irish Republican Army, is an unofficial organization which has never acknowledged the treaty and is pledged to an all-Ireland republic. It is generally held responsible for the assassination of Collins and other supporters of the treaty. The Cosgrave Government, during the last year of its existence, tried hard to stamp it out. It has been tolerated by President de Valera, whose government regards it as "not inimical" to the safety of the State. Its leaders, however, have roundly denounced de Valera for not carrying out their policies and since his election they have been particularly defiant.

Colonel T. F. O'Higgins of the Saorstat Army Comrades Association, brother of the murdered Kevin O'Hig-

gins, announced in the middle of August that that organization had decided to enroll volunteers "to support the lawfully constituted government of the State." Composed of former Free State Army men, the association felt that many Irishmen were being intimidated, that difference of opinion over government policies had brought about a recrudescence of the dangerous practice of "traitor pointing," that free speech was being destroyed, and that President de Valera's toleration of arms in the possession of the I. R. A. was extremely dangerous. They proposed to check communism and, although unarmed, to protect their own members and others from intimidation. The common interpretation of this action was that it was a move by the Cosgrave party against the Irish Republican Army. Many hoped that its existence would force the government to abolish both.

De Valera replied that he saw no reason for the new force. At the same moment, two I. R. A. leaders were wounded in an encounter with the Civic Guards and were arrested on serious charges. On Aug. 23 they were released from custody and the charges withdrawn. The same day armed members of the I. R. A. seized Donamon Castle near Roscommon as training headquarters for the weekend. The Irish Cabinet completely ignored the annual services on Aug. 21 for Michael Collins, Arthur Griffith and Kevin O'Higgins, although members of the Free State Army attended the special masses. It was apparent that de Valera would not or could not break his affiliation with the I. R. A. and he, if anything, weakened his position by allowing Frank Aiken, Minister of Defense, to announce on Aug. 24 the creation of a fourth army, the National Guard, a sort of training reserve for the Free State Army.

A serious situation has arisen, in which honest intentions are rapidly

being submerged in explosive differences. It did not help when the armies were nicknamed Green, Red and White, with the accompanying associations of constitutionalism, communism and fascism. President de Valera himself is in an impossible situation unless he can abolish all these groups except the Free State Army. On Sept. 4 some hecklers disturbed a meeting addressed by ex-President Cosgrave. They were promptly set upon by members of the Army Comrades Association, who drove them off by their fists.

The trade war with the United Kingdom has continued without any positive signs of a truce. The friendly relations between Sean O'Kelly and Sean Lemass and the British delegation at Ottawa raised some hopes of a settlement, but de Valera has indicated no change in his point of view. He has even warned the United Kingdom that if it does not accept his suggestion for discussion, he will have to use the annuities payments which he has been placing in a separate fund. Meanwhile, Irish agriculture, especially the horse and cattle trade, has been hard hit. Irish coal dealers have been warned not to buy British coal as they have been doing, even with a tariff of five shillings a ton. Some German coal has been imported. Many countries are glad to sell to the Irish, but none has proposed to lower its tariffs to be able to buy from them.

The Ottawa settlements were particularly distressing, because the preferences granted there seemed to transfer the natural Irish market in cattle, meat, bacon, butter and eggs to the other dominions. De Valera admitted that substitute markets for England were probably impossible to find. He summoned Dr. James Ryan, Minister of Agriculture, home from Ottawa to announce his new agricultural policy, which guarantees to the Irish farmer a price and a market for wheat and a market for barley and oats. This attempt to shift from cat-

tle to tillage was widely questioned in the light of Irish climatic conditions.

On the industrial side, the picture is not clear. Gallahers, the great tobacconists, have closed their Dublin factory, but two English chocolate manufacturers have decided to open Dublin branches.

CANADA'S TRADE POSITION

The diversion of Canadian trade from the United States to Great Britain was marked, even before the preferences arising from the Ottawa conference could be put into effect. For the year 1931-32, as compared with 1929-30, the decline in total Canadian trade with Great Britain was 40.5 per cent and with the United States 56.9 per cent. The new American tariff of June accentuated the tendency. Comparing July, 1932, with July, 1931, Canadian imports from the United States fell from \$28,995,000 to \$20,291,000, and exports to the United States from \$22,054,000 to \$12,522,000, whereas imports from the United Kingdom fell only from \$8,891,000 to \$7,406,000 and exports actually rose from \$14,202,000 to \$16,047,000. The decline in prices of commodities in which Canada chiefly trades and the raising of her tariff barrier were reflected in Canada's fall from the world's fifth trading nation in 1930 to seventh in 1931.

Canadian exchange rose abruptly in late August from about 87 cents in New York to about 90 cents. Since the amount of licensed gold exports was normal for a month of 1932 at \$4,346,500, other causes must have operated. British Columbia sold \$2,000,000 worth of bonds in New York at \$105.20 and 5 per cent, but the rise in exchange had closer relationship to tourist expenditures and the beginning of the Autumn commodity movement. Grain speculators in the United States have turned to the Winnipeg market because of the greater export movement of Canadian than American grains. The

wheat carry-over on July 31 was 131,000,000 bushels as compared with 153,000,000 bushels last year and in August the large new crop began to move smoothly and rapidly. Wheat prices were about 4 or 5 cents better than in 1931.

In Alberta, where the United Farmers' party controls the government, a new Federal party, the Cooperative Commonwealth Federation, was founded during August. Its program is collectivistic and relatively radical and it intends to contest about 250 seats at the next Federal election.

AUSTRALASIAN AFFAIRS

By ruthless restriction of imports Australia has achieved a favorable external balance of payments. For 1931-32 the balance of trade is reported to have amounted to \$200,000,000, if \$30,000,000 of gold exports is taken into account. Even with public debt charges of \$135,000,000, the favorable balance of payments still amounted to about \$25,000,000. Attention has therefore shifted to the question of foreign indebtedness. In fact, Australia's Ottawa bargain with the United Kingdom has been viewed as a promise to cancel and lower import duties in return for financial help in London. Already many restrictions and duties have been repealed and others sharply reduced. The partial raising on Aug. 29 of the embargo on loans in the London market, on the other hand, permitted the refunding of a New South Wales 5¾ per cent loan due on Nov. 1.

Australia has a war debt in London of £79,724,220 at 4½ per cent. She received about £800,000 annually from reparations toward her annual interest payment of £5,448,300, but the Hoover moratorium was extended by the United Kingdom to the four dominions who owe war debts to her. Now Australia would like to make a new settlement in return for some opening of her markets to Great Britain. Conversion to lower rates of interest appears to be possible.

New Zealand, like Australia, bargained at Ottawa with the United Kingdom for financial consideration in return for tariff reduction. The Minister of Finance and the Secretary of the Treasury went to London after the conference to negotiate a conversion loan in order to lighten an interest burden which has been almost intolerable at a time when the prices of exports were low.

THE INDIAN COMMUNAL AWARD

The settlement of the distribution of constituencies and political representation for a new Federal India, a problem which the Indians have confessed their inability to solve, was announced by Prime Minister MacDonald on Aug. 16. The distribution of races and creeds in the various regions of India creates minorities everywhere, all of which, in their desire for security, have demanded greater representation than their numbers entitle them to. It was certain, therefore, that any relatively equitable award would fail to satisfy Hindus in one place, Moslems in another, Sikhs in still another, and so on. This proved to be true, for following the announcement one group after another expressed its dissatisfaction.

The British scheme—to last ten years—is based upon separate electorates, since no scheme of joint electorates has succeeded in winning any broad support. It was put forward with the warning that it would not be revised in response to any particular criticism, but would be dropped altogether in favor of any substitute agreed upon by the Indians themselves. Representation in all the provincial legislatures is defined. The Untouchables are given some separate electorates, and in regions where they form a majority they are to vote separately. Thirty-seven special constituencies are created for women—25 Hindus, 9 Moslems, 1 Sikh, 1 Indian Christian and 1 Anglo-Indian.

Bengal and the Punjab represent the most serious problem, because the Moslems form 55 per cent of the electorate in one and 56 per cent in the other and they demand majority representation. In the Punjab Sikhs and Moslems struggled in vain for a week during August to reconcile their claims. Ultimately the Moslems were awarded 119 out of 280 Bengal seats, which, with 25 European seats, gave them a majority. In the Punjab they obtained 86 out of 175 seats, with the possibility of controlling 4 more, while the Sikhs got 18.9 per cent, although they represent only 13 per cent of the population. The Hindus, notably those of the Congress party, expressed violent disapproval.

Some of the Moderates, notably Sir Tej Sapru and N. M. Joshi, the Labor leader, announced that they were willing to accept the award in order to take up the remaining constitutional questions. Advantage of this situation was immediately taken by the Indian Government and conversations were begun. The Moderates pointed out that Sir Samuel Hoare's policy of ignoring the Congress party could not continue and would fatally jeopardize any constitutional settlement. The conversations were reported thereupon to have been extended to include the Congress leaders.

Lord Willingdon, the Viceroy, announced on Sept. 5 another change in the policy set forth by Sir Samuel Hoare on June 28. A small round-table conference is to be held in London in November, at which representatives of the States and of British India will attempt to clear up all unsettled points preparatory to the creation of the Parliamentary joint select committee which is to prepare the legislation. Inasmuch as Indian resignations had wrecked the consultative committee to which Sir Samuel Hoare had proposed to refer this work, the new step was almost inevitable.

Franco-American Trade Parleys

By OTHON G. GUERLAC

Professor of French, Cornell University; Current History Associate

THE negotiations which began in Paris on Aug. 22 to effect a commercial treaty between France and the United States replacing the *modus vivendi* renewed every five years on the basis of the convention of 1851 have been followed closely by leading French newspapers. *Le Petit Parisien* on Aug. 28 urged that the most-favored-nation agreement which America seeks should not be granted without substantial concessions in return. Claiming that for forty years France has given in to the United States, with the result that 95 per cent of American products benefit by the minimum tariff and that the commercial balance is increasingly in favor of the United States, the newspaper suggested that the remaining 5 per cent be favored only after American customs regulations on French horticultural products, drugs and various samples have been modified and better protection obtained for French models, designs and commercial labels.

It is likely, however, that France will agree to the demands of the United States presented by Ambassador Edge on Aug. 4. Economic conditions are such that the situation is nearly as critical as it was in 1926, although not for the same reasons. French foreign trade figures in both exports and imports have never been so low as they were in July. Exports have fallen 60 per cent in two years, imports 40 per cent. Income tax receipts for July were more than a billion francs less than those for July, 1931; railroad receipts between Jan. 1 and Aug. 11, 1932, were nearly 17 per cent under those of the corresponding period in 1931. While unem-

ployment has not yet reached the alarming proportions it has assumed in certain other countries, France is experiencing some of the demoralizing effects that the dole produces on the working class. *Le Petit Parisien* has been at some pains to print articles showing how fraud and dishonesty swell the number of recipients of State charity and create a class of proletarian parasites.

MONTH OF COMMEMORATIONS

France witnessed many celebrations and commemorations during the past month—one the dedication of the Thiepval war memorial on Aug. 1, where President Lebrun delivered an address, another at Verdun a week later, where both the President and the Minister of War praised the dead of Douamont. M. Lebrun was present also at the ceremony inaugurating the restored buildings at Albert, although he could not attend the reopening of the magnificent city hall at Arras. Some excitement was caused in Brittany, whence Premier Herriot had gone to speak at the celebration of the four hundredth anniversary of the union of that province with France, when a commemorative monument was blown up by a band of local autonomists whose very existence had hardly been recognized outside the immediate neighborhood.

On Aug. 14 a canal between Thionville and Metz was formally opened in the presence of members of the government, and the occasion was made the excuse for a love feast between the mother country and her long-lost child, the city of Metz. The President, the Minister of Public Works and the

Premier spoke. M. Herriot took the opportunity to remind his audience that war had not been finally exorcised by such treaties as the Kellogg-Briand pact and that undue optimism in this regard could hardly flourish in a city like Metz, so long the pawn of conflicting national rivalries. That very day, as if to justify the Premier's caution, General von Clauss, speaking at Pirmasens in Rhenish Prussia, called for the reconquest of the territory separated from Germany by the Treaty of Versailles, including Alsace-Lorraine itself. It may be imagined how the General's remarks were seized upon by the extreme nationalist elements in France.

BUDGETARY DIFFICULTIES

The government revealed on Aug. 24 that at the end of the fourth month of the fiscal year the revenues of the State were 1,770,000,000 francs (nearly \$70,000,000) below the estimates. Immediately the press set up a cry for the reduction of the salaries of public officials, citing the cuts that have been effected in countries such as Italy, Germany and Poland. What the government will propose when Parliament again meets was not revealed, although M. Germain-Martin, the Minister of Finance, speaking in the department of Haute-Loire on Aug. 28, assured his listeners that there would be no recourse to inflationary measures. He spoke in most laudatory terms of Great Britain's recent success in effecting economies in addition to refunding its public debt at a lower rate of interest.

FRENCH FARM TROUBLES

After two bad years the French farmer until recently was in a good frame of mind. Apparently he was going to be able to dispose of his wheat at a profit, and during July there was even some talk of taking measures to prevent an excessive rise in wheat prices. During the first week of August, however, there came a drop

of from 50 to 60 francs per quintal—and this apparently without reason, for no data on the size of the harvest were as yet available. In an attempt to forestall disposal of the crop at ruinous prices Abel Gardey, the Minister of Agriculture, urged the farmers in speeches delivered on Aug. 14 and Aug. 28 to make use of all the means that the government had put at their disposal to maintain normal price levels and to defend themselves against middlemen and speculators—to regulate their sales according to the conditions of the market and to avail themselves of the instruments of credit placed at their disposal by the combined action of the Treasury, the Bank of France and the National Agricultural Loan Society. The French farmer, however, is an inveterate individualist and is slow to associate himself with others for the defense of common interests.

BELGIAN FISCAL TROUBLES

The Belgian Government also has been confronted with an embarrassing financial situation, for the deficit seems likely to reach 3,000,000,000 francs (over \$80,000,000) if drastic measures are not taken. Finance Minister Renkin expects to save 2,000,000,000 francs by budgetary "compressions" and to obtain the other 1,000,000,000 francs by a new loan. It is reported that large savings may be effected by a revision of the laws regulating pensions; last year it was pointed out by M. Francqui that 95 per cent of the officers in the Belgian Army today are receiving war pensions for invalidity (the report in which this charge was made has not yet been published), and it is said that the suppression of inquiries formerly required into the affairs of beneficiaries of old age pensions has increased the numbers of these pensioners from 200,000 to 350,000.

The miners' strike, which began early in June and seemed to come to an end in mid-July, has continued to

drag on, for the strikers refused to accept the agreements reached in conference with their employers or the proposals made by the Ministry of Labor. Workers in allied trades who had struck in sympathy with their fellows, however, have gone back to their jobs. Thus another aggravating problem remains to be solved by the Renkin Government.

A law liberalizing the Belgian civil code in favor of married women was voted during the last session of Parliament and published on Aug. 20 in the *Moniteur*, the official paper of Belgium. This law, due to the initiative of Minister of Justice Cocq, removes certain discriminations under which, in common with their French sisters, Belgian women had been suffering. Henceforth the wife may call on the

courts to permit her to draw on her husband's income for the expenditure of the family if the husband fails, through selfishness or extravagance, to do his duty to his family. The law provides also that the wife need not, in order to open a business or practice a profession, await the consent of her husband; she may appeal to a judge to obtain that right. In the exercise of her profession she may act without permission of her husband. As for her personal estate, the wife may now dispose of it as she pleases, without consulting her husband or obtaining his consent. Thus the legal submission in which wives have been placed by the Napoleonic Code has been removed by a Parliament elected by male suffrage and containing only two members of the feminine sex.

Hitler's Bid for Supreme Power

By SIDNEY B. FAY

*Professor of History, Harvard University and Radcliffe College;
Current History Associate*

FOLLOWING the Reichstag election of July 31, in which Hitler's National Socialists received 37 per cent of the seats, his followers demanded that he become Chancellor as head of the largest party in the newly elected Legislature. Long negotiations resulted, for the purpose of creating some combination of parties that would form a Cabinet representing the Nazis and other parties with a working majority in the Reichstag. In a momentous meeting on Aug. 13 between Hitler and President von Hindenburg, the latter is said to have asked the Nazi leader whether he and some of his followers would be willing to enter a coalition Cabinet headed by von Papen. Hitler replied that he was not willing, nor were his associates. He requested, on the contrary, that he be

given the entire executive power. "And what power exactly do you imply by that request?" the President asked. "I want," Hitler is reported to have said, though the words do not appear in the official communiqué of the interview, "precisely the same power as Mussolini exercised after the March on Rome."

This was too much for the aged President. He rejected positively Hitler's demand, declaring he could not justify himself before his own conscience or in the light of his duty to the Fatherland. He expressed regret that Hitler was unable to support, in accordance with statements he had made before the Reichstag election, a national government appointed by the President, but Hitler still demurred. The conversation ended with an ear-

nest admonition by the President: "You are to be, then, in opposition. I trust that you will oppose in a way that will be chivalrous. And I enjoin you in your future course to keep always in mind your duty to the Fatherland and your responsibility to the German people." Hitler gave no pledge; he bowed, and withdrew to be acclaimed with cries of "Hail, Hitler!" by the waiting crowd outside the President's residence.

Speaking at Berchtesgaden on Aug. 18, Hitler seemed to intimate that, after all, he might be willing to enter a coalition Cabinet if he could be Chancellor. He declared that his reference to Mussolini had been misrepresented, and indicated that he would be satisfied with three-quarters of the Cabinet posts. "According to the rules of democracy," he argued, "any party or group of parties commanding 51 per cent of the electorate can claim the right of having the entire government turned over to them. Our movement at the last election won 37 per cent. This means that of the 51 per cent necessary to take over the government we can furnish about 75 per cent."

But von Papen, who meanwhile had been working out an elaborate plan for economic reconstruction and who felt stronger and absolutely sure of President von Hindenburg's support, replied that Hitler had had his chance and lost it by his extreme demands. Hitler's attacks on the government during the following days in connection with the death sentence on the five Nazis at Beuthen widened the breach between him and the existing "Presidential Cabinet," and apparently ended for the time being any possibility of his taking over a share in the government.

POLITICAL VIOLENCE

At the German town of Beuthen in Silesia, near the Polish frontier, there occurred on Aug. 10 a particularly vicious political assassination—one of the long series of similar outrages

which disgraced Germany before and after the recent Reichstag election. A Nazi gang invaded the house of a Communist in the early hours of the morning, shot him in his bed and then kicked and battered his body in the most brutal fashion. At the trial ten days later it was shown that a tavern keeper, one of the gang, was the instigator of the crime and had plied the others with liquor.

The incident occurred ninety minutes after the von Papen Cabinet had promulgated a drastic decree, issued under President von Hindenburg's emergency powers, which sought to curb these political crimes. The decree imposed the death penalty on any one committing homicide from political motives, whether deliberate or not, including attacks on policemen or persons summoned to the aid of the police. The death penalty was also decreed for arson, destruction of property by explosives or the endangering of railway traffic. Penitentiary terms of not less than ten years were decreed against persons committing an act of violence with firearms or assaulting a policeman, provided it resulted in serious injury or death, either to the person attacked or to a third person, and against persons who incite resistance to the police or who commit acts of violence. Penitentiary terms up to ten years were to be the penalty for any one who from political motives inflicted dangerous or severe injury; who committed acts of violence with firearms; who assaulted a policeman; or who invaded private premises with weapon in hand, or with another person, or as participants in a mob gathering. In all the foregoing cases mitigating circumstances were declared to be inadmissible. To deal summarily with such crimes the decree also established special trial courts, which were empowered to refuse to hear evidence for the defense when in their judgment the crime had been thoroughly established and the submission of such evidence would merely delay the decision.

One of the new special courts promptly tried those concerned in the Beuthen affair and in accordance with the new decree imposed a sentence of death on five Hitlerites. When the sentences were announced there was complete silence for a moment in the court room. Then a commander of one of the Nazi "storm detachments" rose and shouted: "The German people in the future will pass different sentences. This Beuthen verdict will become a beacon for German liberty." Thereupon most of the spectators shouted "Hail, Hitler!" and, after a demonstration outside the court house, an excited mob smashed the windows of Centrist and Socialist newspapers and of several Jewish department stores.

For the next ten days Germany faced a serious situation. The Nazi newspapers at once championed the cause of the condemned men. Hitler himself telegraphed to them the day after their conviction: "From this moment your freedom is a question of our honor, and a fight against a government under which this sentence has been possible is our duty." Hans Frank, the Nazi party lawyer, telegraphed President von Hindenburg and Chancellor von Papen, strongly protesting against the death sentences and urging an immediate pardon for the convicted men. On the other hand, the government declared that it must let the law take its course; that it could not stultify itself by virtually nullifying its authority in the first important case to arise under the new decree; that it could not give way in the face of threats from the National Socialists, however strong they might be. The government must be impartial. Its courts had, in fact, also imposed ten-year sentences on several Socialists at Ohlau for firing shots at Nazi demonstrators before the recent anti-terrorist decrees were promulgated.

The government's attitude was officially stated in an effective speech by

Chancellor von Papen at Muenster in Westphalia on Aug. 28. "The verdicts at Beuthen and Ohlau," he said, "have been followed by a storm from the Right and the Left against the equitable application of the law. Both sides demand that their political opponents be put beyond the pale of the protection of the law, that in political strife manslaughter and revenge be permissible, and that their opponents be outlawed. This I regard as disgraceful."

Directly attacking Hitler, von Papen continued: "The unrestraint exhibited in the manifesto of the National Socialist leader comports ill with his claims to leadership in the government. I do not concede to him the right to regard that minority which troops behind his banner as 'the German nation' or the right to treat all the rest as outlaws. If, in opposition to Hitler, I stand up for a constitutional commonwealth of the people and for an authoritarian conduct of the government, it is I and not he who stands for what millions of his adherents have ardently desired in their struggle against political party domination, arbitrariness and injustice."

Finally, on Sept. 2, it was announced that the acting Prussian Cabinet, with Chancellor von Papen as Federal Commissioner presiding, had reviewed the case of the five Nazis. In view of the fact that, at the time of their deed, they had no knowledge of the new decree against political terrorism, the sentence was commuted to imprisonment for life. The Berlin *Achtuhr Abendblatt* said: "The whole German people, apart from the National Socialist minority, will approve the decision, which indeed applies clemency, but, by inflicting penitentiary terms for life, emphasizes that political murder must be expunged from Germany."

THE REICHSTAG OPENS

In view of the Beuthen affair, the breach between Hitler and the government and the dire threats of the

Nazis against the Presidency of a Communist at the opening of the Reichstag, it had been feared that the first session on Aug. 30 might prove stormy. But it turned out otherwise; in part, perhaps, because von Papen had visited President von Hindenburg at his home in Neudeck, East Prussia, and was believed to have in his pocket a signed authorization for the dissolution of the Reichstag in case the National Socialists or other parties should attempt a no-confidence motion or create other trouble. But the Hitlerites had no desire for another immediate Reichstag election in which they were not likely to make further gains.

The Reichstag rules provide that a new session shall be called to order by the oldest member. The honor fell to Frau Clara Zetkin, a Communist who had returned for the purpose from Moscow. A wisp of a woman clad in dark gray, with thin gray hair drawn back from a pale, sharp face, she advanced to the Speaker's desk, leaning on a stick, and rang the Speaker's bell. "I was born on July 5, 1857. Is there any one here older?" she asked, turning defiantly to the brown-shirted Nazis occupying a full third of the seats. There was no response. "Then I call this session to order," she declared.

Frau Zetkin had been urged, unsuccessfully, to avoid controversial matters in her opening address, but for more than half an hour she inveighed against President von Hindenburg, the Cabinet, the Social Democrats, the Centrists, the National Socialists, capitalism and militarism—against everything, in fact, except communism. She was heard in silence except for occasional murmurs of approval from her fellow Communists. When she had finished a strong voice from the Nazi benches chanted the first line of a popular song, "It happens only once."

After this dramatic opening the Reichstag proceeded quietly to its

first regular business, the choosing of its permanent officers and committees. A Centrist nominated Captain Hermann Goering, a Hitler lieutenant, as President, and he was elected by 367 out of 583 ballots. Three Vice Presidents were then chosen—Thomas Esser, a Centrist; Walther Graefe, a Nationalist; and Hans Rauch of the Bavarian People's party. After some further organization business the Reichstag adjourned to meet again on Sept. 12. So far the expected clash between parties, or between the von Papen Cabinet and the Legislature, had been avoided.

VON PAPEN'S PROGRAM

Chancellor von Papen, speaking before the Westphalian Peasants' Congress at Muenster on Aug. 28, outlined the government's ingenious plan for dealing with unemployment and the economic depression. As explained further in later speeches by Hermann Warmbold, Minister of Economics, its purpose is "the reanimation of industry," and is not unlike the idea underlying the American Reconstruction Finance Corporation, in that it provides, in essence, for immediate loans to industry out of the public treasury. It partially mortgages government revenues for the five years from 1933 to 1938, for the sake of stimulating business and reducing unemployment during coming months. If the expected economic recovery is realized, it will be easy for the government to repay in more prosperous years the small mortgage upon its future revenues.

The new scheme was decreed by President von Hindenburg on Sept. 5, without being submitted to the Reichstag for approval, and is to become effective on Oct. 1. Whether the Reichstag would have approved it is uncertain, but at any rate it appears to have had an excellent psychological effect on business. The industrial and banking classes commended the

plan, while stock prices on the Berlin Boerse rose in a fashion unparalleled since the announcement of President Hoover's moratorium more than a year ago.

The new scheme makes available about \$720,000,000 at once for stimulating business and reducing unemployment. A quarter of this amount, \$180,000,000, is to be appropriated by the government to provide immediate employment on productive public works, such as the reclamation of lands, the extension of inland waterways and road construction. The novelty of the program is to be found in the remaining clauses.

Approximately \$180,000,000 is to be given as a direct subsidy to business to promote employment. Out of this sum the government will give industrialists \$100 for every new workman employed. On this basis it is calculated that employment will be furnished to 1,375,000 workingmen who are now idle or who receive a government dole. This grant from the public funds will be virtually self-liquidating, it is hoped, because the Reich's budget will save more than \$25 in doles for each new man employed, the annual dole expenditure on each idle man being slightly in excess of \$125. Furthermore, besides saving on doles, the State will be able, when employment becomes more general, to collect more taxes because the industries now shut down will reopen or expand and the new production will automatically bear the taxes. Of course the government must face the risk of dishonest collusion, whereby one employer would pocket \$100 per head and take on more employes while agreeing with another employer in the same business to discharge some of his men.

The remaining half of the new funds made available, \$360,000,000, will provide the most radical part of the new scheme. The government is to issue tax-remission certificates for this amount, redeemable in the five years between Oct. 1, 1934, and 1938. These

certificates, which carry interest-bearing coupons at the rate of 4 per cent, are to be given as a virtual subsidy to business men on the assumption that they will be used to finance work involving additional employment. The Reich undertakes to receive them in payment of taxes between 1934 and 1938. They will also be discounted by banks and dealt in on the Berlin Boerse, thus providing that amount of new credit available for reviving business. In a sense they are a mild form of controlled inflation. The government believes that the day for necessary plant replacement has arrived and that the funds supplied through these tax-remission certificates will be used for improving the liquidity of business and reviving industry.

The advantage for the Reich is that, while making a gift of \$360,000,000 to business, it will suffer no financial loss for the coming twelve months, when the budget will continue to be strained. The loss is postponed from 1934 to 1938, when it is assumed that the budget will be satisfactory. The advantage to business is that the tax certificates, being loanable or salable, are as good as a direct cash subsidy from the Reich.

Three categories of taxes will be reduced 40 per cent by the new tax-remission scheme—the turnover tax, the real estate tax and the commercial tax. To a business man paying a total of about \$340 in the next twelve months, \$160 will be refunded in tax-remission certificates. The Reich will refund about \$42,500,000 of the transportation tax, which is now being paid almost exclusively by the Federal Railways, thus enabling them to proceed with their delayed improvement program.

Among the further provisions of the new decree, the details of which are not available at the moment, are measures which may not be so favorable for the workingman. These relate to a revision of the existing union wage scales to permit the absorption

of unemployed labor, the establishment of import contingents for agrarian produce, the early institution of restricted quotas for industrial commodities, and the reform of unemployment and social insurance benefits.

Along with these measures, which are primarily aimed at improving the internal economic and financial condition of Germany, Chancellor von Papen has also taken steps to offset the fall of Germany's surplus of exports over imports below the needs for meeting the demands for interest and principal payments on her foreign loans. The import duty on typewriters, accounting machines, and some other commodities imported mainly from the United States has been sharply increased. He has also applied to the United States, as he is entitled to do under the agreement of 1930, for a postponement for two and a half years of the payments for damage done to American property during the war and for the cost of the American troops of occupation.

DEATH OF DR. SCHOBER

Within scarcely more than a fortnight after the death of Mgr. Seipel, who saved Austria from financial collapse in 1922, came the death on Aug.

19 of Dr. Johann Schober. Dr. Schober had twice been Austrian Chancellor—in 1921-22, when he concluded a reconciliation treaty with Czechoslovakia, and in 1929-30, when he made with Germany the ill-fated proposal for an economic union between the two countries.

Dr. Schober had been a determined opponent of the Lausanne protocol and the accompanying loan proposal by which Austria agreed to refrain until 1952 from any political or economic union with Germany. Just as Mgr. Seipel's illness and death enabled the present Dollfuss Cabinet to appoint a successor to Dr. Seipel and thereby prevent the Pan-Germans by one vote from overthrowing the Cabinet which had signed the Lausanne protocol and loan agreement, so Dr. Schober's death enabled it on Aug. 23, by a vote of 82 to 80, to secure the ratification of these measures. The ratification was denounced by the Pan-Germans as a relinquishment of Austrian independence to France. But it is hoped that when it has been ratified by the other signatory powers it will make it possible for Austria to pay the interest on the earlier League of Nations loans of 1922 and 1930 and to meet her other foreign obligations.

Italy in Bellicose Mood

By WILLIAM E. LINGELBACH

*Professor of European History, University of Pennsylvania;
Current History Associate*

ITALY has reversed her consistent attitude for disarmament by breaking with Great Britain and France at the Geneva Conference over President Hoover's proposals. After lukewarm and hostile speeches by the spokesmen of these two powers and Japan, Dino Grandi won the enthusiastic applause of the galleries and the representatives of nearly all the other

States by emphatically announcing that, having had time to consult the head of his government, he wished to proclaim Italy's whole-hearted adherence to the American plan. The announcement was in entire accord with Italy's policy of the last few years, and an index of the Duce's indignation over what the Fascists describe as the chicanery of the powers in con-

nection with the conference, particularly the Anglo-French Entente, which the Fascist press has dubbed the "Entente Infernale." Italians also resent what they describe as the deliberate falsification by influential French and British journals of the facts concerning Italy's naval construction program. The entire program, they claim, is in accord with the London Conference and not in any way secret, new or aggressive.

Coupled with the Duce's recent warlike utterances, the hostile attitude of the Fascist press takes on a further significance through the extraordinary character and unprecedented scale of the military and naval manoeuvres during August. This demonstration of militarism is regarded by the Fascists as a notification to the world that Italy believes the prospects of disarmament through the Geneva Conference to be hopeless, and that if France continues to use the plea of security to block disarmament, Italy also must look to her own safety. To French and British criticism that the manoeuvres were unnecessarily flamboyant, the Fascist press retorts that the two countries chiefly responsible for the failure of the Disarmament Conference should have no reason for surprise.

Immediately after the manoeuvres the government announced that fifty-one of the older naval vessels—more than 130,000 tons of fighting ships—would be retired. At the same time, a complete reorganization of the navy was ordered for the purposes of increased efficiency. The plan involves two squadrons, the first of seven 10,000-ton cruisers built within the last three years, with its base at Spezia—the strategic point with respect to France; the second of six 5,000-ton cruisers built during the last two years, with a base at Taranto—with French colonial communications and Yugoslavia as its objectives. By giving up the battleships and concentrating on cruisers, Italian naval experts

believe they will have a faster and therefore more efficient fleet. At the same time, the new plan will be more economical.

Achille Starace, secretary of the Fascist party, issued an order on Aug. 29 that henceforth the "Shouted Fascist Salute" was to be reserved exclusively for Mussolini. The order also provides that Fascisti must rise before giving the Roman Salute and that only "songs of the revolution" shall be used by Fascist troops on the march. Two days earlier it was announced that on Oct. 27, the day before the end of the first decade of the Fascist régime, a votive chapel in honor of 500 martyrs of the Fascist cause would be dedicated in the Littorio Palace, the headquarters of the party.

In economic matters, Mussolini has again warned the Italian people that prosperity must not be looked for "in the next few months." Nevertheless, the "Battle of the Wheat," which he began in 1925, is being won. Although wet weather impaired many other crops, wheat escaped, and this year's yield, estimated at 260,000,000 bushels, will approach the bumper crop of 1929. Before 1925 Italy had only once produced more than 200,000,000 bushels; since then the harvest has fallen below that figure only once.

To stimulate production in other lines, increased duties on many foodstuffs imported from abroad were announced during August. Some American exports, particularly frozen meat, lard, prunes and other dried fruits, will be affected. Although agricultural interests were promised increased protection a year ago, the new tariff was inoperative until Aug. 31 of this year, when certain existing treaties expired. The drift to higher protective duties is in direct response to the ultra-protective tariffs in France, Belgium, Germany, Spain and the United States, which have closed many markets to Italian agricultural products.

Although improvement in unemployment appeared during the Spring, the number out of work has again increased, reaching a total of 931,291, nearly 300,000 more than the number of unemployed at the same time last year. The prospect for the Autumn and Winter is therefore serious, the more so since the budget for the first month of the present fiscal year showed a deficit of \$18,000,000. On the other hand, this is offset by the fact that about one-fourth of the recent loan of \$210,000,000 has been turned over to the credit of the Ministry of Public Works for unemployment relief. On this basis the Ministry is letting contracts for extensive public works in the regions where unemployment is greatest, and bringing pressure to bear upon provinces and municipalities to extend their programs for public works to the limit of their financial resources.

As is well known, relief work is one of the chief concerns of the Fascist party. A recent pronouncement on the abolition of the propaganda units surveyed the relief accomplished during the Summer and the still more extensive plans for the coming Winter. Fascism proceeds on the principle of finding jobs for the unemployed rather than distributing doles. Altogether only about one-fourth of the unemployed are entitled to unemployment insurance benefits. Jobs must therefore be found for the remainder or they must be supported by public or private charity. A small tax on all restaurants, cafés and hotel bills, from which foreigners are exempt, is expected to raise a considerable sum.

A further striking evidence of Mussolini's domination of Italian affairs appeared early in August in the announcement that the major labor disputes which had been before the Ministry of Corporations for nearly a decade had been settled. They concern the wages and "the more-ooms-a-weaver problem" of textile workers, the control of wages, and so on, of

piece workers employed in their own homes, and the wages of sulphur miners in Sicily.

The wage dispute between the mill owners and the textile workers was settled by Mussolini, who has been Minister of Corporations since the department was established, by allowing a wage cut of 10 per cent for the highest paid weavers and a graduated reduction for the others. The solution of the "more-ooms-a-weaver problem" he found in a system of bonuses based on the type of loom and the number of looms assigned to each worker. On the difficult question of who should control the domestic piece workers he announced that under the Charter of Labor (1927) the syndicates had the right to regulate wages and conditions of work. For the sulphur miners there seemed no solution except recognition of a drastic wage cut which in some cases was equal to 50 per cent.

Mussolini's dramatic assertion of his personal leadership by the dismissal of five of the leading Fascist Ministers and eleven under-secretaries, late in July, was followed on Aug. 11 by a sweeping shift in Italy's consular and diplomatic service. Over thirty changes were announced. To Americans, the appointment of Augusto Rosso as Ambassador to the United States, replacing Nobile Giacomo de Martino, since 1925 Italian Ambassador to this country and closely associated with Count Volpi in the negotiations for the funding of the Italian war debt, is of special interest.

ROYALIST FAILURE IN SPAIN

With the occupation of Seville by republican forces and the capture of General Sanjurjo at Huelva, near the Portuguese frontier, on Aug. 11, the royalist uprising in Spain collapsed. (See *CURRENT HISTORY* for September, page 740.) The General himself was brought back to Madrid on the night of Aug. 11 and spirited into police headquarters by Major Menendez Lopez, the Director of Public Safety. Along with other leaders in the revolt,

he was arraigned before the section of the Supreme Court devoted to military affairs on the charge of treason against the republic. General Aragon, the public prosecutor, demanded the death penalty for Sanjurjo and life imprisonment for his subordinates.

After a brief but dramatic trial, the court pronounced the death sentence. The Cabinet at once took the matter under consideration. Despite the violent opposition of the Left, commutation to life imprisonment was recommended and President Zamora acted accordingly. By its policy of moderation the Azaña government again showed good strategy. The popularity of General Sanjurjo and his own claim that he had acted to save the republic from the Left, and that his action had "nothing to do with the monarchist rising in Madrid," contributed toward general approval of the modification of the sentence. It is, moreover, more in keeping with the new reforms of the old penal code of 1870, which suppressed the death penalty and reduced the maximum prison sentence to twenty years.

The abortive revolt has greatly weakened the parties of the Right and proportionately strengthened the position of the government. Leading conservative newspapers, including *ABC*, *Internaciones*, *El Debate* and *La Nacion*, have been suspended. On Aug. 13, while the rebels were being stripped of their honors and uniforms in Seville, President Zamora, amid the applause of more than 100,000 of the populace of Madrid assembled in the Retiro Park, conferred honors upon officials and others who had shown zeal in the defense of the republic.

The royalist uprising brought out the fact already known, but more or less overlooked for the moment, that the old aristocracy was in general hostile to the republic. Many of them have been implicated in the revolt, and more than 100 have been arrested. Within a week after the uprising the Duke of Fernan-Menez, with scores of

others of Spain's proud and exclusive aristocracy, found themselves in prison. Even the Duke of Alba, descendant of the Alba of Philip II's time, was not spared. Meanwhile, scores of de luxe automobiles were parked in front of Madrid's model prison, where many of Spain's proudest nobility are now in cells formerly occupied by the republican rulers of present-day Spain.

The Cortes on Aug. 20 voted to legalize the seizure of estates and other property of those implicated in the uprising. Although confiscation under charges of treason does not imply that Spain is following the example of Russia in the socialization of land, it is placing in the hands of the government thousands of acres until now tenaciously held by the powerful landed aristocracy.

On Sept. 9 the Cortes gave final approval to the communal land bill which provides for the distribution in community form—under the direction of an agrarian institute—of about 52,000,000 acres formerly held in large estates by the Crown or under royal grant. Settlers on the land will be aided with government funds. Eventually 1,000,000 individuals are expected to benefit from the scheme, which also establishes cooperative agricultural associations of various sorts.

The attitude of the army also has again come up for scrutiny. During the excitement over the uprising, the Left urged that drastic measures be taken, and that all officers who had served under the old régime be dismissed. A bill was actually formulated for the dissolution of the entire army as the most effective means of destroying what the Left regards as the most potential weapon of the once-privileged groups. Although Premier Azaña opposed these drastic proposals, he has approved a considerable shift in the personnel of officers, and is apparently in thorough accord with the bill introduced late in the

month involving radical reforms in the diplomatic and consular service. The action, according to press reports, has arisen from the growing conviction that the diplomats, many of whom belong to the old aristocracy, have been out of sympathy with the republic and have been misrepresenting it abroad.

After many months of heated debate and popular agitation, the Cortes, on Sept. 8, adopted the final article of the Catalan Statute and formally ratified the entire Statute the following day. As a result of this act Catalonia will, subject to certain restrictions, become an autonomous State within the Spanish Republic. The final adoption of the Statute was a cause for great rejoicing in Catalonia, although many Spaniards regard the action as a step toward the dissolu-

tion of the unity of the Spanish State which was achieved by Ferdinand and Isabella nearly three and a half centuries ago; in any event, Spain is attempting a new solution to a minorities problem which caused constant strife for over fifty years.

Fernando de los Rios, Minister of Education, has announced that the government has decided to borrow \$40,000,000 to enable it to carry out its school building program. Everything is being done not only to create a national system of education but to overcome the illiteracy which still holds nearly 60 per cent of the population in its grip. "With these new schools," the Minister declared, "we hope to lay the foundations of a new nation." The plan involves the building of 20,000 new schools over a period of four years.

Military Threat to Greek Republic

By FREDERIC A. OGG

Professor of Political Science, University of Wisconsin; Current History Associate

THE political situation in Greece during August was perceptibly colored by the approach of the general elections which were scheduled for Sept. 25. Premier Venizelos on Aug. 15 categorically denied reports that his government was about to resign in favor of a military dictatorship as a means of preventing a possible Royalist victory at the elections. The rumors, he said, were designed merely for the purpose of creating a feverish pre-election atmosphere.

A few days later, the Opposition, led by former Premiers Kafandaris, Papanastasiou and Tsaldaris, launched a violent press campaign against the government on the ground that Venizelos had prejudiced his official position by asserting that in the event of a Royalist victory in the elections, he would not restrain the army from in-

tervening in behalf of a continuance of the republic. The Premier, replying on Aug. 22, conceded that the republican régime was in danger. He recalled the fact that the army has several times in the past taken an active hand in politics, and asserted that while he would not permit it to interfere during the elections, he might find it advisable to support the republic with armed force if the results proved adverse.

But by Sept. 7 it was not clear whether Venizelos would be able to control the Military League and prevent a military coup d'état which would call off the elections and set up a military dictatorship. Party feeling has been intense and attacks upon Venizelos by the Royalist leader, Panayoti Tsaldaris, were so extreme that on Sept. 8 the Premier offered his

resignation to President Zaimis but it was refused and he continued in office. The Premier at the same time assured the President that there was no immediate danger of a revolt in Greece and that the elections would be held as scheduled.

POLISH PACTS WITH DANZIG

The efforts of Count Manfred Grävina, League of Nations Commissioner at Danzig, to bring about better relations between the Free City and Poland resulted on Aug. 13 in two significant protocols, signed by Dr. Ernest Ziehm, President of the Danzig Senate, and Dr. Casimir Papee, Poland's diplomatic representative at Danzig. The first agreement related to the entry of Polish naval units into the harbor of Danzig, a matter of dispute since August, 1931, when Danzig denounced a former agreement, and especially during the past Summer, when several unpleasant incidents arose in connection with visits from British and German fleets. Danzig has desired to treat Polish naval units as wholly foreign and entitled to enter her harbor only with permission of the Senate. Poland, on the other hand, demanded free and unconditional entry. The new agreement stipulates that Polish naval units may enter Danzig Harbor after notifying the Chief Pilot under the Council of the Port, a body on which Poland and Danzig have equal representation; and that there shall be no restriction on the number of units simultaneously entering the port or on the length of their stay. The settlement, which is for three years, is substantially a victory for Poland.

The second agreement binds the two States to discourage all unfriendly manifestations and activities by the citizens of one toward those of the other. The Warsaw Government will be expected to work for the discontinuance of the present Polish boycott of Danzig products and shore resorts, while the Danzig authorities will seek to prevent attacks on Polish

citizens within the Free City. This settlement, also for three years, but renewable, is expected to relieve Danzig economic life from its present paralysis.

Clashes between Polish authorities and Ukrainian peasants dwelling in Eastern Poland have been recurrent in recent years, and it has now become known that a serious rising was put down in Polesta in early August. As on previous occasions, the peasants refused to pay taxes and engaged in other forms of anti-State activity; and, as before, the police, reinforced by soldiery, quelled the movement, ferreting out and dispersing hostile bands that had taken refuge in the forests. Ukrainian representatives have declared that they will bring the matter before Parliament and the League of Nations.

THE DEPRESSION IN CZECHOSLOVAKIA

In Czechoslovakia, as in other Central European countries, the economic situation, apart from seasonal changes, shows no genuine improvement and continues to color practically all aspects of State policy. The number of unemployed, though slightly reduced, is larger than in any period of the country's history, and adequate relief measures, combined with the maintenance of a balanced budget, have subjected the entire economic organism of the republic to unprecedented strain. The stability of the currency has, however, been upheld, and the Minister of Finance holds out the prospect of a balanced budget, not only in the current year, but also in the year to follow. Drastic economies have largely offset the decline in the yield of taxes, and the general financial and economic structure of the country is regarded as sound.

Considerable interest was aroused during August by the trial, in the criminal court in Brno, Moravia, of seven young Germans of Czechoslovakian nationality on a charge of conspiracy against the republic. The ac-

cused were members of a German-Bohemian "National-Socialist" association called Volkssport, and were charged with having organized a movement, identical with that of the Nazis in Germany, for the purpose of joining Austria in the "Third Reich" if the Nazis should come into power in Germany.

HUNGARIAN FINANCIAL BREAK-DOWN

The Hungarian Government announced, after payment of the annuity on the international loan of 1924 authorized by the League of Nations, that the transfer moratorium of Dec. 2, 1931, from which this particular loan was exempted, would be broadened to include it also. The League, in a public letter, declared that this decision had created a painful impression, and in reply the Hungarian Government expressed renewed appreciation of the League's good offices at a moment of peculiar stress, but asserted that a shortage of foreign bills made discontinuance of interest payments unavoidable. It was added that payments could, however, be resumed if the trustees of the loan would permit them to be made from the reserve fund originally established for amortization.

Animated discussion was aroused late in August by Lord Rothermere's revelation in London that several years ago the late Eugene Rakosi, poet and publicist, "offered" him the throne of Hungary. The *Pester Lloyd* and other journals took the matter lightly, remarking that in view of the enthusiasm which once prevailed in Hungary over Lord Rothermere's warm-hearted espousal of the Hungarian cause, it was not surprising that the romantic idea of offering him the kingship of the country should have occurred to certain persons of somewhat sentimental propensities. Legitimist papers, however, professed deep indignation, and the Nationalist organ, *Magyarság*, declared that the

country should be grateful that the names of the persons who had the effrontery to try to sell Hungary's crown for British gold had at last become known.

The Károlyi Government suffered a blow to its prestige when, on Aug. 28, Emil Purgly, Minister of Agriculture, was defeated in a by-election in Mezösat by Dr. Tibor Eckhardt, former Minister of Press Affairs and now leader of the small landowners' opposition party. The election is reported as having "proceeded peacefully under guard of gendarmes and soldiers armed with rifles and fixed bayonets, hand grenades and machine guns."

RUMANIA'S NEW CABINET

The provisional National Peasant Cabinet of Dr. Alexander Vaida-Voevod, which had held office since the Rumanian general election of July 17, resigned on Aug. 10, and ex-Premier Maniu was again invited by King Carol to head a new Ministry. Pleading personal reasons, Dr. Maniu, however, refused, and as a result Dr. Vaida-Voevod formed a government which included a number of National Peasant leaders who had been left out of the preceding Cabinet.

Dr. Maniu's actual motives in abstaining from office were the subject of a good deal of speculation, especially as he made it plain that he expected to continue the active leadership of the party which he resumed some months ago. A plausible explanation was that he looked forward to playing the rôle of umpire between a Ministry which had his full endorsement and a monarch whose conception of royal prerogatives promised to clash with the constitutional doctrines of the governing party. At all events, an arrangement under which the leadership of this party was vested in one person and the premiership in another, even though the two men were friends of forty years' standing, seemed likely to be worth watching.

As officially communicated to Par-

liament on Aug. 12, the program of the new government, though denounced by the Opposition as vague, contained a number of sound and urgently needed reforms. Prominent in it were the cessation of useless public expenditures, reduction of agricultural and direct taxation, improvement of railway transportation and of ports, increased administrative decentralization, reorganization of the oil industry to facilitate domestic consumption, modification of the electoral law, restoration of the country's finances with the cooperation of the League of Nations, and the continuation of a peaceful foreign policy.

The new government has requested of the League of Nations an expert report on the country's finances like that prepared some time ago for Hungary, and on lines more or less similar to those followed in a critical examination already made by Charles Rist for the French Government. At the beginning of September the League sent to Bucharest a group of experts

whose report was expected to be ready for submission to the next League Assembly.

BULGARIAN AFFAIRS

A provisional commercial agreement between Bulgaria and the United States was signed in Sofia on Aug. 18, providing for both reciprocal and unconditional most-favored-nation treatment. The agreement became operative on the day of signature, and, unless sooner terminated by mutual agreement, is to remain in effect pending the negotiation of a definitive treaty of commerce and navigation between the two countries.

Bloody clashes between the Protogrov and Michailov factions of Macedonian revolutionaries have continued to disturb the peace of Bulgaria. The most recent, occurring in a main street of Sofia on the night of Aug. 17, resulted in the wounding of ten persons and the arrest of four Protogrovists, including the leader, Glavintschev.

Finland Under the New Liquor Law

By RALPH THOMPSON

NEARLY six months have passed since Finland again became legally wet, so that it becomes possible to gain some idea of how the new liquor system is working. The most striking news from Helsinki in this regard is that bootleggers have not been ousted by the return of legal liquor sales; they are still patronized by portions of the public for the excellent reason that their prices are lower than those of the State alcohol company, which enjoys a monopoly of the legal trade. Inasmuch as the law stipulates that the sale of alcoholic beverages "shall be so regulated that illegal commerce will be checked," it is apparent that the of-

ficial prices will have to come down, at least until the bootleggers are forced out of business. Kvösti Jaerwinen, Minister of Finance, has publicly admitted this necessity. There is the danger, however, that decreased prices will increase consumption—a result which conscientious persons would like to avoid.

How profitable the regulated liquor trade of Finland will eventually be is not as yet known; estimates made during the first month's operation of the State alcohol company foresaw an annual total market of 300,000,000 finmarks (\$7,500,000). It will be a task, in any case, to compete with the smugglers, who avoid the tariff levied

on foreign liquors and can thus sell very cheaply, but it is felt that the competition can be met by the government.

The dividends of the State alcohol company are fixed at 7 per cent on the capital of \$500,000, and most of this will go to the Finnish Government, which owns a controlling interest in the business. Profits in excess of 7 per cent, after a reasonable transfer has been made to reserves, are to be handed over to the State for distribution as follows: 35 per cent for the promotion of temperance, the care of dipsomaniacs, the prevention of illicit trade in alcohol and the augmentation of the Old Age and Disablement Insurance Fund; 35 per cent for other State expenditures, and 30 per cent for division among communes in which alcoholic beverages are neither sold nor served, in proportion to their population.

The abandonment of prohibition in Finland has not induced an orgy of drunkenness; most observers agree that there is less intemperance and disorder than formerly, although it has been pointed out that this may be partly due to the decreased purchasing power consequent upon the depression. During May, 1932, it was announced that arrests for intoxication had fallen off 50 per cent. There still remain, however, some 20,000 offenders convicted under the recent prohibition law who—partly because of congestion in the prisons and economic difficulties—have not yet served their sentences or paid their fines. Reports from Helsinki on Sept. 8 stated that a proposal of amnesty for these persons had been introduced into the Diet by the government on the grounds that money would be saved and the government would be relieved of an embarrassing and difficult duty, and that, since the nation had shown that it no longer believed that drinking was a crime, those who had at one time been arrested for overindulgence should no longer be

considered guilty. Rum-runners and illicit distillers would not be included in the amnesty.

FINLAND'S ECONOMIC CONDITION

It is generally believed that during the past three years the monetary value of the world's trade has been reduced by one-half, but certain northern nations have not suffered so great a loss. Finland, Sweden, Norway and Denmark, while considerably below 1929 levels, have borne up comparatively well. According to *Unitas*, a quarterly review of trade conditions in Finland, however, of these four nations only Finland and Norway have maintained during the first half of 1932 a favorable balance of trade, the figures for Finland revealing a notable excess of exports over imports in both monetary value and volume. The volume of Finnish imports has been falling steadily since 1929 and is now less than one-half of what it was in that year. The volume of exports, on the other hand, is larger than in 1929.

The reduction in imports is mainly due to the reduced purchasing power of the country, but increased domestic production and higher duties have also contributed. Imports of food-stuffs and luxuries have decreased in quantity 50 per cent, raw materials and semi-finished products between 20 and 25 per cent, machinery about 75 per cent (in the case of motor cars and agricultural machinery, 85 and 95 per cent, respectively), and manufactured goods, 60 per cent. In the case of such luxuries as pianos, the decrease has run as high as 98 per cent.

Exports from Finland have broadened less spectacularly than the imports have decreased, but the movement has none the less been of prime importance to a small debtor State such as Finland. Shipments abroad of sawn and round timber, which in the past have represented over two-

fifths of the value of the nation's exports, have been reduced in quantity over 30 per cent—mainly because of competition from Russia. Nevertheless, paper and pulp exports have increased in quantity about 33 per cent, animal foodstuffs nearly 15 per cent, and plywood and matches by 13 and 30 per cent, respectively.

Business conditions within the country at the end of the half year were not unfavorable. The accumulation of capital in the banks had nearly ceased by the end of June, but interest rates were lowered by financial institutions. The value of industrial output had risen during the second quarter from 77 to 83 (1926=100), despite the fall in prices; home trade had shown an increase in sales from 83 to 97 (1926=100), and protested bills and bankruptcies had decreased in number. The general commodity price index for the half year stood at 90, as compared to 84 in 1931, 90 for 1930 and 100 for 1926. The number of unemployed at the end of June was 12,700, showing a continued decrease from the high of 21,000 registered at the end of January, 1932. The corresponding figures for June, 1930, and June, 1931, were 3,300 and 6,300, respectively. These figures include only those persons registered in communal labor exchanges and are symptomatic rather than complete.

A recent report by the Finnish State Railways indicates that passenger traffic to the close of 1931 had fallen off about 17 per cent since 1928—largely among first and second class passengers. Receipts from first and second class had decreased over 35 per cent.

Emigration from Finland during 1931 was the lowest ever recorded, according to a recently published report. Only 741 persons left the country to establish residence elsewhere, as compared with nearly 4,000 in 1930 and over 6,000 in 1929. Canada and the United States, especially the former, have heretofore attracted the

mass of Finnish emigrants; but of the small number who left their homeland in 1931 the majority went to European countries, only 163 entering the United States and 83 going to Canada.

LITHUANIAN AFFAIRS

According to the Lithuanian Telegraph Agency bulletin for September, Lithuanian industry is developing rapidly under the pressure of an increasing domestic demand for its products, although it now employs only about 10 per cent of the population. New textile factories have been recently opened, the first large sugar refinery began operations about a year ago, and a cement factory is projected. A large hydroelectric station on the Niemen River is to furnish power for these developments.

The Lithuanian State is a participant in many of the country's enterprises, having come to their aid after private capital had been wiped out as a result of the war and Germany's post-war inflation. Railways, posts, telegraphs and telephones are State-controlled, while the government's share in various private companies is large. In 1931 there were 121 joint stock companies in Lithuania, with a total capitalization of 134,000,000 litas (\$13,400,000). Of this sum the share of the State was over \$10,000,000.

The foreign debt of the Lithuanian State on Jan. 1, 1932, amounted to nearly \$12,500,000. Of this sum the greater part is owed in the United States—\$1,800,000 in the form of a loan raised in 1919 among Lithuanian-Americans and over \$6,000,000 due to the American Government for goods bought from the American War Liquidation Commission. A loan of \$6,000,000 was granted by the Swedish Match Trust in 1930 in return for the national match monopoly, but only two-thirds of this has been advanced because of the difficulties that have arisen since the death of Ivar Kreuger. The Lithuanian domestic debt is less than \$85,000.

The Soviet Agrarian Breakdown

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University; Current History Associate

THE final year of the Soviet Five-Year Program, now nearing its close, will be distinguished by changes of policy so far-reaching as to indicate a new line of future development for the Soviet economic system. The underlying cause is the agrarian situation, which has taken on a new and startling aspect since 1930, when the triumphant sweep of the collectivist program seemed destined to place the Soviet Union in the forefront of agricultural nations. For many months Russia has been suffering from a severe food shortage which has kept the population of all the industrial districts upon short rations and in some centres has produced a real dearth. Meat and animal products are particularly scarce, the result of the "slaughter campaign" of two years ago when the peasants destroyed over a third of the nation's supply of live stock to prevent its forcible seizure by the Communist authorities.

Some months ago, when the Soviet Government became aware that drastic action was necessary to prevent a crisis, a special commission of the Communist party was appointed under Stalin's chairmanship to survey the problem and devise remedies. The commission was confronted with the necessity either of employing coercive measures in the hope of compelling the peasants to produce and turn over to the government agencies increasing supplies of foodstuffs or of devising some sort of appeal to the self-interest of the vast agrarian population. Convinced by recent painful experience that coercion is a dangerous two-edged weapon, the commission recommended the second of these two courses, proposing that such changes

be made in the market policy of the government as would give scope to the profit-seeking motives of the food producers.

The program of forced socialization epitomized in the Five-Year Plan was based upon a policy of strict control, not only of productive enterprise in industry and agriculture, but also of the entire marketing structure of the country. Monopoly of the market was in many ways an essential element of the program. It enabled the government to crush out the private enterprises called into existence by Lenin's New Economic Policy; it underlay the policy of price fixing essential to a planned economy; it was the medium through which the nation's rulers could bring economic compulsion to bear upon the mass of common people. But the policy threw upon the official Commissariat of Supplies and the politically controlled cooperatives the task of providing for the daily needs of an urban population which was increasing at the rate of 5,000,000 a year; and this mechanism was in imminent danger of collapse principally because of its failure to win the cooperation of the peasants upon whose willingness to provide a surplus of food stuffs at arbitrary prices the whole policy rested.

Apparently the original intention of the commission in proposing a relaxation of the market monopoly was not a complete and final surrender of this basic policy but a compromise which would be both partial and temporary. In reality, however, one concession has led to another until the cumulative effect of the series of opportunistic compromises has been little short of revolutionary.

The first tentative beginnings of the new policy were embodied in the decrees of May 6 and 10. Under them business relations between the peasants and the government were placed on a new basis. The amount of grain required to be turned over to the government agencies during the present year was sharply reduced, and the amount of meat was cut in half. An open market was established for meat and grain in excess of these requisitions, so that the peasants were at liberty to sell at competitive prices to any buyer other than a speculator. Later decrees widened the range of the open market to include vegetables, fruit, butter, eggs, milk—in fact, all forms of farm produce. These measures having failed to provide an immediate supply of food for the cities, they were reinforced by other decrees designed to tempt the peasant to take advantage of his new opportunities for profit.

The newly established market was made tax exempt except for certain small charges necessary for the upkeep of the market places, and the profits from the trade were declared exempt from the income tax. The rule that only surpluses remaining after a full discharge of the government requisition might be marketed was nullified by later orders to local officials urging that the new system be put into effect without delay and without supervision of the supplies brought to market by the peasants. The original intent that middlemen and speculators should be excluded from the market was also soon ignored in practice when it became evident that the activities of the Soviet police were frightening the peasants. Finally, since trade must be two-sided if it is to survive, the government has been obliged to take the drastic step of extending the freedom of the market to the artisans of the cities whose products in the form of household commodities are in great demand in the rural districts.

Under the New Economic Policy, which preceded the Five-Year Plan, it was estimated that half of the country's supply of manufactures in ordinary use was drawn from the workshops of independent artisans. These activities have been virtually destroyed during the past four years by government regulation of the supplies of raw materials to artisan industry and by the government monopoly of the market in which the finished product was sold. Now this whole policy of crushing out the individual producer of industrial wares has been abandoned in the hope of stimulating activity in the new food markets. The artisans are freed from restrictions with regard to raw materials and are given the same privileges as are enjoyed by the peasants in selling their products at competitive prices.

It will be seen at once that, unless these new policies are merely temporary, Soviet Russia will have turned the course of her economic development into a channel which leads away from her former objective of thoroughgoing socialization. Moreover, all present indications point to an indefinite continuance of the liberal market policy and, indeed, to its extension into other areas of the nation's economic life. The agrarian problem which gave rise to it has not diminished but increased in severity as the months have passed. Grain collections in July amounted to only 45 per cent of the program, and the returns of the August harvest upon which the Soviet authorities have been basing their hopes of prompt improvement of food conditions have been disheartening. In recent news releases the government admits its failure to persuade the peasants in certain important food producing areas to harvest more of their standing grain than they require for their own immediate needs.

Even the State farms, which were designed as models of efficiency, have fallen far behind their schedules.

There is an exodus from the collectives which threatens to disrupt this pivotal unit of Communist agrarian organization. Food prices in the open market are rising steadily, while in the government shops supplies are insufficient to maintain the official family ration. Even the foreign experts in government employ, a group which has been protected hitherto from the hardships of life in Russia, are now called upon to share in the general privation. A recent decree in Moscow cuts in half the food ration allotted to this privileged class.

Evidence of the critical situation that the country has been experiencing is apparent in an epidemic of petty thievery, especially of farm produce on the way to market. Official figures show that 40,000 freight shipments were looted in transit during the first quarter of the year, involving a loss of over 1,500,000 tons of merchandise, principally foodstuffs. On Aug. 8 the government took drastic action by decreeing the death penalty for theft in a final effort to halt these depredations. The decree is being ruthlessly enforced, and already several people, including women, have been sentenced to the firing squad for this offense.

The severity of the food crisis has deflected attention from the progress of the industrialization program, except when the official press has referred to the decline in industrial production as one consequence of the agrarian situation. But the figures published by the government unmistakably indicate that the industrial program in its final year will fall far short of success. Steel production has fallen 33 per cent since April; coal is down 12 per cent and freight car loadings 20 per cent. Industries already equipped and organized as going concerns are finding it impossible to maintain steady production because of the rapid decline in labor efficiency. The progress of new construction scheduled by the program is halted by

the dwindling of Russia's export trade in which agrarian products had been expected to hold a prominent place, because the decline of exports has undermined Russia's power to import industrial equipment and to hire foreign technical assistants.

In the year ending Jan. 1, 1932, Soviet exports amounted to only \$400,000,000, though scheduled to reach several times that figure, and the government was obliged during the first quarter of the present year to cancel many of its purchase contracts and many of its agreements with foreign experts. Exports for 1932 were scheduled by the program to total \$1,000,000,000, but at the present level of activity they will not exceed a third of that amount. Scarcity of goods for export is not the only cause of this condition; another and equally important cause is the world-wide price recession which has reduced the money value of the goods sold.

Russia is involved in a peculiarly vicious circle with respect to the foreign trade situation. A decline of her export power, for whatever reason, tends to reduce the surplus of goods within the country and hence still further to undermine her export power. This comes about through retarding her industrial development which is conditioned upon a flow of supplies from abroad. As factory output falls behind schedule, the stimulus to agrarian production is reduced by the scarcity of manufactures for exchange between farm and city; the export surplus of both types of wares shrinks; and the rate of industrial progress is still further retarded not only by an increase of the causes arising from the foreign trade situation but also because of the injurious effect of food shortage on labor efficiency. A striking example of this is furnished by the coal mines of the Donetz Basin, where upward of 20,000 men are reported to have left their jobs during the past two months.

In the closing stages of their program, therefore, the Communist rulers of Soviet Russia find themselves at grips with a problem whose solution appears to involve a fundamental change of plan. One method of avoiding this outcome would be to procure financial assistance from abroad so that the flow of supplies to Russia might be continued despite the shrinkage of her own export power. Early in August the Soviet authorities explored this possibility by suggesting the sale of an unlimited issue of Russian 10 per cent gold bonds, principally in the American market—the bonds to be redeemable in the currencies of the countries in which they were held. The proposal created some interest in American banking circles as a device for stimulating our export trade and as an influence working toward an early recognition of the Soviet régime by the United States. But practical difficulties immediately arose, and the instant opposition of the State Department added another obstacle which has prevented the plan from being carried into effect. A similar plan has already been unsuccessful-

fully tried in the London market, where Soviet bonds of a similar character have been on sale since last December without evoking a demand from the British investor.

A survey of the existing posture of affairs in Russia, therefore, leads to the conclusion that the Five-Year Program has failed both in terms of its announced statistical objectives and, more fundamentally, in terms of certain of its underlying social principles. Such a conclusion, however, requires important qualifications. There has been no failure in the political sense; the present emergency has not shaken the stability of the government or the control of the Communist dictatorship. In this sense the readiness with which a new line of policy has been adopted, and the frankness with which the country's rulers have announced the miscarriage of their plans are signs of strength rather than of weakness. Stalin and his group will undoubtedly work out a solution which, while producing something quite different from their original program, will preserve social control and planned economy.

The Reform of Turkish Education

By ALBERT H. LYBYER

Professor of History, University of Illinois; Current History Associate

A GENERAL reorganization of the Turkish system of higher education which will eliminate antiquated traditions and support directly and whole-heartedly Turkish post-revolutionary nationalism is being contemplated as a result of a report by Professor Malche. In the first place, the Arabic name "Dar ul-Funun" (Home of the Sciences) is to be abandoned because of its association with Moslem theological education and because of its suggestion in the minds of many of particular branches of learning

which fail to include most of the important Western sciences. Instead, the name "Turkish University" will be used. As a matter of fact, three universities are contemplated, one to replace the present institution in Istanbul, one in Ankara and a third in Van or Diyarbakir. A new chair, to be known as the "Ghazi Chair," will be established in Turkish history and the history of Turkish literature. In the faculty of law, practical rather than theoretical courses will be emphasized. In the faculty of science, mod-

ern laboratory facilities will be installed. All teachers will be required to know French. In secondary schools the rule has been established that all pupils must have a reading knowledge of English, French or German.

The present university has been severely criticized for its apparent lack of interest in the Turkish revolution. The professors were held at fault for the insignificant showing they made at the history congress in Ankara in July and particularly for their lack of cooperation with the Society for Turkish Historical Research in the preparation of the new four-volume history textbook.

The Society for Turkish Historical Research consists of members of Parliament, officers and a teacher, Affet Hanim, who is one of the adopted daughters of President Mustapha Kemal. A year ago the society published a well-made and richly illustrated history of the world in four volumes. The book was made a compulsory study in all higher schools.

A decree was published on Aug. 20 which prohibited all imports except quota goods after Sept. 1. Beginning on Oct. 2, exporters will be permitted to import, apart from the quota, goods up to the value of 50 per cent of their exports from Turkey, as certified by special commissions established at the principal Turkish ports. New quotas were announced, to be effective from Oct. 1 to Feb. 15, including many articles which come from the United States such as automobiles, trucks, tires, spare parts, agricultural implements, petroleum products, pumps, electric batteries and photographic films. Negotiations are now in progress for a general commercial treaty between Turkey and the United States.

According to British information the quota system appears to have reduced imports during the year ended June 1, 1932, from \$73,500,000 to \$63,000,000, while exports diminished from \$75,500,000 to \$63,500,000. It is

therefore not clear whether the immediate object of altering the balance of trade has been effected by this system. The quotas, furthermore, are said to have dislocated trade, injured both exporters to Turkey and Turkish importers, and caused loss of revenue to the government.

The value of Turkish manufactures is estimated to have increased from \$20,000,000 in 1928, to \$50,000,000 in 1931. Coal mining has made progress, but the production of other minerals has declined. Turkey contains about 10,000 miles of roads and nearly as many miles of trails, but few of the roads are in good condition. The government plans to spend \$1,000,000 a year for the next twelve years in establishing good roads between the most important cities. Repairs are being made to the road from Trebizond to Erzerum in the hope of reviving the overland trade with Persia, which before the war was 40,000 tons a year and in 1930 was estimated at only 1,380 tons.

ANGLO-EGYPTIAN RELATIONS

When the Egyptian Parliament was disbanding early in July, Premier Sidky made a statement regarding rumors of the resumption of negotiations for a treaty with the British Government. He said that no application in the ordinary sense had been made by the Egyptian Government to the British Government for reopening negotiations; Great Britain knows the opinion of the Egyptian Government and Egypt is prepared to negotiate when the proper time arrives; the Egyptian Government does not lose sight of Egypt's interest in Britain's friendship. It appears that the Egyptian Government inquired of the British Government whether the question of the capitulations might not be settled without waiting for the new Anglo-Egyptian treaty. The reply seems to have been that it would be better for Egypt to have this matter settled in the formal treaty, because

in this way haggling with a large number of countries might be avoided.

At the beginning of August M. Vorbiev, director of the Russian trade bureau in Alexandria, was notified that he must close his office and leave the country within three weeks. Early in 1931 he had been given special favors in the expectation that Russia would purchase large quantities of cotton in Egypt. These purchases have not materialized, and he is further suspected of having engaged in Communist propaganda.

ECONOMIC GAINS IN PALESTINE

Jewish representatives insist that Palestine is actually making economic progress while the rest of the world suffers acutely from the depression. The country has very little unemployment. It continues to receive money from abroad for investment, which finds many openings. Many small industries have been begun. Agricultural life has made great progress. High Commissioner General Wauchope announced to the annual meeting of the Jerusalem Chamber of Commerce, which is binational, that during the last two years imports into Palestine have fallen only by about 17 per cent while world imports have fallen 40 per cent. Palestine has actually increased its exports since 1929; the other countries of the near East have fallen 20 per cent or more, while the world average has fallen 45 per cent.

Palestine now has about 40,000 acres of orange groves and exports about 3,500,000 boxes per year. This gives employment to 10,000 people. The demand has exceeded the supply, so that the profits have been large. In ten years the production of milk in Jewish colonies has increased tenfold. Almost every variety of vegetable is grown successfully. New potatoes and tomatoes have been shipped experimentally to England and France. Three years ago Palestine

imported 20,000,000 eggs, but now needs to import only 7,000,000. It is expected that within a few years 10,000,000 boxes of Jaffa oranges will be produced each year. The question of marketing oranges was a principal concern of Palestine at the time of the British Imperial Economic Conference at Ottawa. As a mandated territory, Palestine may or may not be within the British Empire. If considered within, it may be accorded imperial preference and thus enjoy certain tariff advantages. The question is unsettled because under the terms of the mandate Palestine may not discriminate against members of the League of Nations.

OIL SCANDAL IN IRAQ

Musahim Bajaji, formerly Iraqi Minister of the Interior, and other high Iraqi officials, were brought to trial in June for political offenses. They had been arrested early in the year, when the authorities were investigating threatening letters sent to officials and finally even to King Feisal. Press reports show that the accused persons, assisted by Russian agents, had plotted to overthrow the King and declare a republic, with the object of preventing the enforcement of the treaty with Great Britain and of hindering the building of the pipe line to the Mediterranean. In support of this accusation, it was pointed out that the pipe line will bring the oil of Iraq, which can be produced easily, to the amount of 1,000,000 tons per year, into active competition with Russian oil. Russian petroleum products compete successfully in all Northern Persia with those of the Anglo-Persian Oil Company, which are produced within the country itself. The railway between Haifa, Bagdad and Mosul, which is now about to be begun and which may be extended to Teheran presents the possibility of direct and injurious competition with the growing trade of Russia in Northern Persia and adjacent areas.

Increasing Disorder in China

By TYLER DENNETT

*Professor of International Relations, Princeton University;
Current History Associate*

IN a summary of conditions in China for the past year, Hallett Abend on July 25 declared that "the country is today worse off in almost every particular than it was in July of last year." Canton has established an independent government. The Yangtse floods drove 25,000,000 farmers from their lands and caused billions of damage. More than 4,000,000 peasants have not yet been able to return to their homes. Cholera has been epidemic over an area as large as all Europe. The anti-Communist campaign has been futile. Chinese national revenues net only \$12,000,000 (Chinese money) each month for the anti-red war, but the war lords demand \$18,000,000 as an irreducible minimum to keep their armies in the field. Custom revenues are not sufficient to cover interest and amortization on loans secured by customs receipts. Some of the richest provinces are no longer able to meet their own expenses and demand help from Nanking. There is increasing probability that the opium traffic will be legalized as a source of revenue which is now drawn off by generals. The Kuomintang party is rapidly losing power. "The last twelve months," Mr. Abend concludes, "have witnessed the continuation of the government's revolving in what seems like a permanent cycle of political ineptitude, and authority everywhere is dangerously near a final breakdown."

During the past month the situation in China has been one of increasing tension and fear as to the next Japanese move. In Shanghai, to which the entire Japanese Third Squadron was ordered at the end of August, there is constant fear of a new clash

with Japan. One potential cause of trouble is the refusal of Japanese authorities to transfer to the Municipal Council the responsibility for policing the extra-Settlement roads in the North Szechuan Road and the Hongkew areas. The administration of these environs of the International Settlement, which has overflowed its boundaries, has been a sore point between Chinese and foreigners. The Japanese have declined to acquiesce in a tentative agreement reached by the Municipal Council and the Chinese authorities, by which these areas, in which the Japanese interests are extensive, would be policed by Chinese.

A bomb hurled at a clock-shop in the city on Sept. 2 brought two truckloads of Japanese marines to the Bund, where they rushed by a traffic signal and ran down a coolie. They were promptly arrested by a Sikh policeman and taken to the police station. A mob of 700 Chinese collected and became threatening. The Chinese Railway Ministry began removing its archives to Nanking. The next day Commander Heguchi of the marines visited the chairman of the Municipal Council and lodged a protest. Chapei, where the fiercest fighting occurred last Winter, is again being evacuated by the Chinese.

The national government named Sept. 18 as a day of national mourning to commemorate the outbreak of the Manchurian clash a year ago. A Japanese legation spokesman announced that he possessed indisputable evidence that the Chinese Government has ordered intensification of the nation-wide boycott, and has also ordered the Chinese newspapers not

to print notices of the boycott activities. The boycott has never been more serious than at present. "Of course, if they continue this time," said the Japanese spokesman, "further trouble here is inevitable."

In North China the tension is even more acute than in Shanghai. Japan is threatening the entire northwestern border. The military operations in Jehol are quiescent, but in Peiping and Tientsin the Japanese military are much in evidence and, apparently, restless. On the night of Aug. 28 Mukden was thrown into great confusion by a series of daring raids by Chinese irregulars working on carefully coordinated plans. The chief attacks were on the arsenal and the airport. The attack was repulsed with little loss of life but with great property damage to the Japanese, while many Chinese were killed. Further outbreaks are expected.

The railway lines are particularly vulnerable and objects of daily raids by scattered bands of Chinese who are believed to be supplied, if not directed, from Peiping. The Manchukuo Foreign Minister warned Marshal Chang Hsiao-liang in Peiping that such activities might result in punitive expeditions into North China. It is alleged that munitions for the irregulars are reaching Manchuria through Jehol. Thus Japan is supplied with a pretext, or reason for carrying out the project to subjugate Inner Mongolia and sweep it into Manchukuo. But why stop there? Peiping and Tientsin are the centres in which threats to Japan are devised and directed. The constant irregular warfare, therefore, has the effect of keeping not only Manchuria and Jehol, but also North China, in a state of perpetual excitement.

The Chinese Foreign Office finds comfort in the smug thought that the Chinese are ranged among the righteous nations of the earth in support of the movement for world peace. Lo Wen-kan, the Foreign Minister of the Nanking Government, in reply to Count Uchida's address to the Japa-

nese Diet (see the article "America's Far Eastern Diplomacy," on page 15 of this magazine) made a speech on Aug. 31 at the weekly memorial service for Dr. Sun Yat-sen, which reveals the state of mind at Nanking. "Japan has at last thrown down the gauntlet against the consciences of the whole world." The Foreign Minister seems to find comfort in the fact that "Japan has now defied the whole world—the League of Nations, the anti-war pact, the Nine-Power Treaty and the other international commitments, and finally the public opinion of mankind." He appears indifferent to the fact that China has for more than ten years followed a provocative policy.

There is a serious defect in the international peace machinery when a nation can speak peace and provoke war in the same breath, and then sit back and wait for the community of States to rescue it from a fate which it has so clearly invited. The Japanese record may be as bad as Lo Wen-kan thinks it is, but the Chinese record is by no means such as to merit the benediction which goes to the peace-makers. One of the sad aspects of the present effort to vindicate the peace machinery is that it is misunderstood by the Chinese as a vindication of their own government.

The Lytton Commission report and recommendations were signed in the German Hospital at Peiping on Sept. 4 and dispatched by air to Geneva. The Earl of Lytton had been a patient in the hospital since his return from Japan in July. Although it had been previously reported that the commission would return to Europe by way of Russia, Lord Lytton, General Frank R. McCoy and Count Luigi Aldrovandi-Marescotti sailed on an Italian steamer from Shanghai for Europe by way of Suez. With them went Dr. Wellington Koo, who, together with W. W. Yen and Dr. Quo Fai-chi, were to represent China at the Assembly of the League of Nations. Thus the Far Eastern front is being reformed at Geneva, where the battle

over procedure in the handling of the Lytton report is likely to continue for many weeks.

Ambassador Debuchi has sailed for Japan, ostensibly on leave, but presumably not to return to Washington. To him was assigned an impossible task; he could not bring either the American Government or people to the Japanese point of view. In the last year the United States has been flooded with expensive Japanese propaganda, but all to little purpose. The Japanese Foreign Office has transferred from London to Washington Hirosho Saito to act as *Chargé d'Affaires*. To leave Washington at this critical moment without a Japanese Ambassador of the highest rank might be interpreted as another expression of Japanese resentment at the American policy. It was rumored in Tokyo, however, that Japan plans soon to appoint to Washington Matsuzo Nagai, former Vice Minister of Foreign Affairs. It was also announced, and then denied, that Vice Admiral Nomura would come to the United States on one of those "missions of good will" which have been so much utilized in the last few years. At present the pathetic Dr. Nitobe, vainly pleading a defense of policies which all his life he has opposed, is the outstanding unofficial defender in America of Japanese imperialism, and it is rumored that even he has lost favor in Japan.

Nothing has yet developed to indicate that the Soviet Government is going to be an important immediate factor on the side of the League and the American Government in bringing Japan to terms. During the month after the signing of the Soviet-Japanese fisheries convention relations between the two States appear to have been eased considerably. Moscow finds the Japanese operations in North Manchuria a potential menace, but evidently is not preparing for decisive action at the present time. The Soviet Union desires recognition by and an understanding with the United States,

but has been repulsed so often that it is not likely to make a new advance just now. In fact Soviet Russia, because of the Stimson policy toward Japan, is in a more favorable position for making terms with the American Government than it has been so far. To carry out the American policy of not recognizing Manchukuo it would be greatly to the advantage of the United States to have the support of Russia. Knowing this, Moscow perhaps feels that it can advantageously wait for the American Government to make some high sign of greeting.

The special session of the Japanese Diet, which convened on Aug. 25 to pass emergency relief measures, adjourned on Sept. 4. The government proposed a program calling for nearly \$60,000,000, of which about \$40,000,000 would be borne by the central government. This program was below the expectations of many, and was disappointing. The Seiyukai opposed the government, but the House of Peers came to the support of the Cabinet, thus avoiding what threatened to be a major political crisis. The Diet failed to create a moratorium for farm debts, which reach a total of 5,000,000,000 yen. Thus the agricultural distress of Japan remains a factor to conjure with. No inflationary measure was passed by the Diet. The commodity prices are rising in consequence of the fall of the exchange value of the yen, normally worth 49.85 cents but now down to nearly 23 cents.

The Indian Government has recently placed a 31¼ to 50 per cent *ad valorem* duty on non-British piece-goods which is designed to prevent the dumping of Japanese cottons on the Indian market. A movement in Tokyo to boycott Shell gasoline, on the ground that, with the fall of the British exchange, it should sell for less than American gasoline, has made little headway, but is an interesting gesture, indicating that the Japanese have no serious objection to the boycott as such.

Continued from Page 19

'Are you prepared to negotiate on the basis of this report?'"

The American policy by itself is negative and probably not pacific in its effect on the Far East. What it may become in combination with some remedy proposed by the Lytton commission or subsequently at Geneva remains to be seen. Manchuria must have a government. The choice is simple. It may be (1) the existing Manchukuo régime, which is so obviously a Japanese puppet and which the United States will not recognize; (2) a re-established Chinese régime, which no power or group of powers is ready or able to create; or (3) an international government which Japan will not accept, unless she is coerced by military or economic defeat. If the non-recognition policy could be sustained, with all its implications, by fifty States for a period of years, it might not help the Chinese at all, but it almost inevitably would ruin Japan.

The ruin of Japan—her economic ruin—would carry in its train more losses to British, French and American capital than people are usually content to lose for an ideal so lacking in positive advantages. In a quick collapse of Japan the policy might win a first victory, but such a collapse seems at present improbable. The Saito Cabinet is not very secure; the yen is more than 50 per cent below par; there is great suffering in the agricultural districts. Japan's foreign trade is not likely to improve under the new Chinese boycott. Her normal trade with Canton alone is said to be greater than with all Manchuria. But Japan is a long way from collapse, and apparently still further from a popular revolution which would rob the military of its power and prestige.

For a third of a century the American people have been led to believe that prospectively at least they have

vital interests in Manchuria. The alleged vital interests in that region turn out to be the foreign trade which it is hoped some day to enjoy, but which has never yet become vital to the United States. A second glance shows that in this region the alternatives are less likely to be an open door or a door closed by Japan than a door closed by Japan or a door closed by China. Nothing in the recent history of Chinese policy warrants the assumption that if Manchuria is restored to China the latter will ever keep the door for trade open one moment beyond the day when it seems to China's advantage to close it. China is not only anti-Japanese, but also anti-foreign.

American policy in the Far East has been a series of fits and starts, followed by retreats. The fits and starts have been dramatic and popular; the retreats have been very quiet and little understood. This newest start, joined as it is with the doctrine that implies the right, and even the duty, of intervention, diplomatic or otherwise, is more startling than any previous declaration. But will it be any less fitful?

The text of the Japanese-Manchukuo treaty is not available as this is written, but when it is, it should be compared with the treaties of 1904 and 1905 between Japan and Korea. Within a few months they were followed by the withdrawal of the American Minister from Seoul and the recognition by the United States of the Japanese protectorate. The treaty of Aug. 19, 1904, contained a stipulation that the Korean Government "shall consult the Japanese Government before concluding treaties and conventions with foreign powers and also in dealing with other important diplomatic affairs, such as grants or concessions to or contracts with foreigners." Thus passed the Open Door in Korea, Elihu Root, successor to John Hay, writing the American note of acquiescence.

Uchida's Speech on Japan's Policy

The following is the text of the address on Japan's Manchurian policy delivered by Count Yasuya Uchida, the Japanese Foreign Minister, to the House of Peers at the opening of the special session of the Imperial Diet in Tokyo on Aug. 25, 1932:

At the June session of the Diet my predecessor took occasion to report upon and discuss the outstanding foreign relations of this country. Today, in view of the importance of the developments in Manchuria that have taken place since then, I desire to review the questions regarding Manchuria and China proper and to describe in some detail the policy of the Japanese Government.

We are all gratified to note that Manchukuo has entered upon a career of sturdy and healthy progress. The Japanese Government are convinced that recognition of this new State is the only means of stabilizing conditions in Manchuria and of establishing conditions of permanent peace in the Far East. And it is with a view to the early extension of formal recognition of Manchukuo that we are making various arrangements, upon the expected completion of which in the near future our plan will be carried through.

However, there are those in other countries who do not fully comprehend the attitude of Japan toward China nor the measures she has taken since the incident of Sept. 18 last year [the seizure of Mukden, Manchuria, by the Japanese following the tearing up of a section of railway allegedly by Chinese soldiers], and who, in default of a correct conception of the advent of Manchukuo, look upon any recognition of Manchukuo by Japan as an illegitimate procedure.

In view of such misunderstanding as still persists, I avail myself of this opportunity to clarify Japan's position and to expound to you the reasons why the government considers recognition of Manchukuo to be the only means of solving the Manchurian problem, although, in doing so, I may have to repeat what has already been set forth in successive declarations and statements issued in the past by the Japanese Government.

It is an indisputable fact that the chaotic condition of China and the so-called revolutionary policy carried on by China under the enthralling influence of extravagant political dogma have been principally responsible for the unfortunate turn that international relations have taken of recent years in the Far East.

Although Japan has been the chief victim of the abnormal state of affairs in China, other countries have also suffered intolerable indignities and incalcu-

lable material loss. At the same time, it is admitted by those conversant with actual conditions in China that no remedy can be effected by having recourse either to the covenant of the League of Nations or to any other organ of what may be termed "machinery of peace." In fact, it has been the practice of the powers, as has been demonstrated on innumerable occasions, to repair or prevent injuries to their important rights and interests in China by direct application of force without relying upon those instruments of peace.

For over twenty years Japan continued to exercise the greatest patience and moderation in the hope that some day China might soberly undertake the task of rehabilitating her fortunes and playing her proper rôle in the maintenance of peace in the Far East. China failed, however, to show any sincere desire to reciprocate our good-will and kindly sentiments, but increased more than ever in her arrogance and intolerance.

Our government took pains time and again to point out to China the danger she was running in trying too far the patience of the Japanese people. But China did not heed our warnings.

The incident of Sept. 18 occurred in Manchuria, the very region regarded as the first bulwark of Japan, at the precise moment when the feeling of our people had been wrought up to the highest pitch by repeated provocations. We had no alternative other than to resort to a measure of self-defense.

There are those who argue as though the action of Japan were a violation of the Kellogg-Briand anti-war pact. But such contention has no foundation in fact. As I have stated, Japan has been forced to adopt necessary measures for the prevention of wanton attacks upon important rights and interests vital to her national existence.

The anti-war pact does not put restraint upon the exercise of the right of self-defense in such a case. The pact does not prohibit a signatory power from taking at its own discretion whatever steps it finds imperative in order to remove immediate menaces to its territory and its rights and interests of whatever kind.

And, obviously, the exercise of the right of self-defense may extend beyond the territory of the power which exercises that right. Japan's action is essentially identical with the action that other powers have taken elsewhere in similar circumstances.

Following upon this action legitimately taken by Japan in the face of Chinese attacks, officials of the régime presided over by Chang Hsiao-liang either fled or resigned, as you know, with the result of a practical extinction of that régime. In the meantime, among the leading people

of Manchuria who had long resented the tyranny of the Changs and were opposed to plunging their land into the civil turmoil of China proper, a project for political reform was already under way.

It is in every way natural that these leaders should have taken, as they did, advantage of the opportunity afforded by the downfall of Chang to launch out upon an active movement. A "Peace Maintenance Committee" was accordingly organized at Mukden, Harbin and other centres. In view of our own responsibility in respect of the maintenance of peace and order in Manchuria, we extended necessary cooperation to these committees.

It was the Manchurian leaders connected with these committees who decided that the hour had struck for founding the new State. The establishment of Manchukuo was the outcome of a separatist movement having for its background the geographic and historical peculiarities of Manchuria as well as the psychological characteristics of the Manchurian people.

Those who seek to place upon Japan the responsibility for the Manchurian revolution by tracing the independence of Manchukuo directly to our military operations simply labor under ignorance of the facts and their opinions altogether miss the point. Again, as regards those who fancy they detect a secret connection of some sort on the part of Japan with the foundation of the new State, basing their suspicions on the fact that there are, in fact, a number of Japanese in the employ of the Manchukuo Government, I need only point to the existence of many precedents for the enlistment by a young government or newly founded States of the services of foreigners.

Our own government since the Meiji restoration have employed many foreigners as advisers or as regular officials; their number, for instance, in the year 1875, or thereabout, exceeded 500. Those who misconstrue the presence of Japanese in the Manchukuo Government in the fashion alluded to are placing the responsibility where it does not belong.

Manchukuo has come into being, as I have already remarked, as a result of separatist movements within China herself. Consequently, the view expressed in certain quarters that recognition of the new State thus created would constitute a violation of the stipulation of the Nine Power treaty is, in my opinion, incomprehensible. The Nine Power treaty does not forbid all separatist movements in China or debar Chinese in any part of the country from setting up, on their free will, an independent State.

Hence, should Japan extend recognition to the existing government of Manchukuo, founded by the will of the people of Manchuria, she would not thereby, as a signatory power to the Nine Power treaty violate in any way the stipulations of that treaty.

Of course it would be a different matter on the assumption that Japan was seeking to annex Manchuria or otherwise satisfy her thirst for land. Only, I hardly need to waste words in once more disclaiming at this juncture any terri-

torial designs on our part in Manchuria or anywhere else.

Thus far, I have elucidated the theses that the attitude maintained by Japan toward China, and especially the measures we have taken since the incident of Sept. 18, have been just and proper, that the independence of Manchukuo has been achieved through the spontaneous will of Manchurians and should be regarded as a consequence of a fissiparous movement in China, and that recognition by Japan of the new State thus created cannot violate the stipulations of the Nine Power Treaty.

Now let me proceed further and dwell upon the reasons why the Japanese Government consider the recognition of Manchukuo as the sole effective means of solving the Manchurian problem.

With regard to the question of finding a solution for the Manchurian problem, the Japanese Government attach the greatest importance to the following two points:

First, that, in seeking a satisfactory solution we should aim at the fulfillment of the legitimate aspirations of the Manchurian people, at adequate guarantees for the rights and interests of Japan, at prevention—in order to make Manchuria a safe place to live in, alike for Manchurians and foreigners—of any recrudescence of erstwhile anti-foreign policy movements and, finally, at bringing not only stability to Manchuria, but permanent peace to the Far East.

Second, that such solution should be effected by rejecting all sentimental propositions and abstract theories and arrived at upon the solid basis of realities of the situation.

In view of the circumstances that led to the outbreak of last September and of the immense sacrifices our country has been compelled to make in the past, the Japanese Government feels the imperative need of arriving at a fundamental solution of the Manchurian problem on the lines of these two propositions and of eliminating for all time the causes of a secular Chino-Japanese conflict.

On the other hand, it appears that in certain quarters a plan is being considered to reach a solution by patching up matters for the moment by investing China proper in one form or another with authority over Manchuria. That such a plan would only serve to reproduce the situation preceding the incident of Sept. 18 is only too plain to us who have been taught by bitter experience in the past.

The people of Japan can never consent to a solution of that kind. Moreover, it is as clear as day that the investment of China proper with power over Manchuria under whatever guise is totally irreconcilable with the political creed enunciated in the Declaration of Independence and other public statements of the Manchukuo Government and therefore that the scheme in question has no chance of being accepted by Manchurians.

The imposition upon Manchuria of

what is not wanted by Manchurians would be as unjust as ill-advised, in that it would only end by sowing seeds of future trouble in that land.

The plan to invest China proper with authority over Manchuria, and all measures of a similar temporizing kind, will never fulfill the object of making Manchuria a safe and happy land for both natives and foreigners, nor do they accord with our principle of finding a solution. Certainly, it is not the way in which to bring stability to Manchuria or permanent peace to the Far East.

Manchukuo has set out upon an honest program that is open and aboveboard. It has declared its intention to pursue a policy of justice, peace and friendship toward other countries, to take over obligations of existing treaties according to international law and usage, to respect vested rights and interests of foreigners and to protect their lives and property, to welcome all aliens and to accord them equal and equitable treatment irrespective of their racial origin, to adhere to the principle of the Open Door, to promote international trade and to contribute to the economic development of the world; and Manchukuo's sincerity of purpose has been definitely established.

It is plain, therefore, that to extend to Manchukuo formal recognition and assist its government to carry out their sound policy above referred to will be a notable step toward making Manchuria a happy and peaceful land for natives and foreigners alike on the basis of the realities of the situation. And it is plain, too, that such is the only way to secure a permanent solution of the Manchurian problem.

As long as Manchukuo retains the sterling spirit in which it was founded and perseveres in its high purpose it is assured of a future full of promise. Here and there we find persons entertaining exaggerated fear of the perils of banditry in Manchuria or making gloomy forecasts regarding the finances of the country. But we refuse to join the company of these pessimists. Upheavals brought about by lawless elements are universal phenomena, to be observed in newly established States anywhere in the world. Whereas in most of such cases it takes some considerable time to put unrest down, it is only fair to say that in Manchuria the suppression of banditry is making comparatively rapid strides.

As for the financial status of Manchukuo, I have been told that it is good, really far better than was anticipated at first by the Manchurian authorities. In view of the vast territory, the thriving population and immense natural resources in its possession, there can be no doubt that Manchukuo, given a good government, will emerge as a rich and prosperous country and come to be a great market for the world.

It is my hope that the healthy development of Manchukuo will not only bring happiness and prosperity to the thirty million inhabitants of the country but will serve as a good example for the rehabilitation of China proper.

As regards the conditions prevailing in China proper, I regret to say that the growing disturbance in her domestic administration, coupled with rampant activities of Communist bandits throughout an extensive area in the Yangtze Valley and South China, is casting a gloomy shadow on the path of the National Government.

Besides, as an anti-foreign, especially an anti-Japanese, movement still continues unabated, further complications are likely to arise in the foreign relations of China, which, in turn will make her internal confusion worse confounded. Truly, our deep sympathy is due the Chinese people, who have to suffer under these troubled conditions. To allow such conditions to persist as they are, I am firmly convinced, will not only be deplorable for China herself but will constitute a constant danger of bringing about a serious menace to the rights and interests of foreign powers. On the contrary, the whole world will rejoice should China realize the gravity of the situation, cast aside her ill-advised foreign policy and adopt in earnest a constructive program of devotion to the task of internal readjustment.

It goes without saying that Japan, always conscious of the general interests of the Far East, will spare no effort to afford all possible assistance to China. Indeed, it is my fervent hope that the day is not far distant when Japan, Manchukuo and China, as three independent powers closely linked together by a bond of culture and racial affinities, will come to cooperate, hand in hand, for the maintenance and advancement of the peace and prosperity of the Far East, as well as for the peace of the world and the civilization of mankind.